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Corporate Vision
FY2020-1Q

1. Management Plan
2. Business Results
3. Company Outline and Topics

Public Relations & Investor Relations Dept.
Corporate Brand & Communications Div.

Hitachi Construction Machinery Co., Ltd.

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Direction of our Medium-term Corporate Strategy

(FY 2020-2022)

May 28, 2020

Kotaro Hirano
Executive Officer, President & CEO

Hitachi Construction Machinery Co., Ltd.

70th Anniversary

Changes in operating environment caused by COVID-19 and our initiatives

Changes caused by COVID-19

- Further diversification of customer needs such as ownership, rentals or used equipment, due to lack of market transparency
- Changes in construction site workstyles to avoid the 3Cs (closed spaces, crowded places, close contact), increasing and accelerating need for remote operations
- Lack of transparency about end of pandemic and concerns about declining operations leading to increased need for improved safety and productivity at construction sites and mining operations, and reduction of life cycle costs

Our initiatives

- In addition to advanced equipment that enables the confirmation of operating status, also promote the expansion of options such as rental and used equipment
- Avoid the 3Cs at construction sites and accelerate the development and provision of ICT equipment and development of remotely operated construction equipment to respond to remote operation needs
- Enhance product and service menu (ConSite®) and expand the parts remanufacturing business to avoid machine downtime and increase operating rates at construction sites. In the mining business, promote advancements by combining AHS and digital technology

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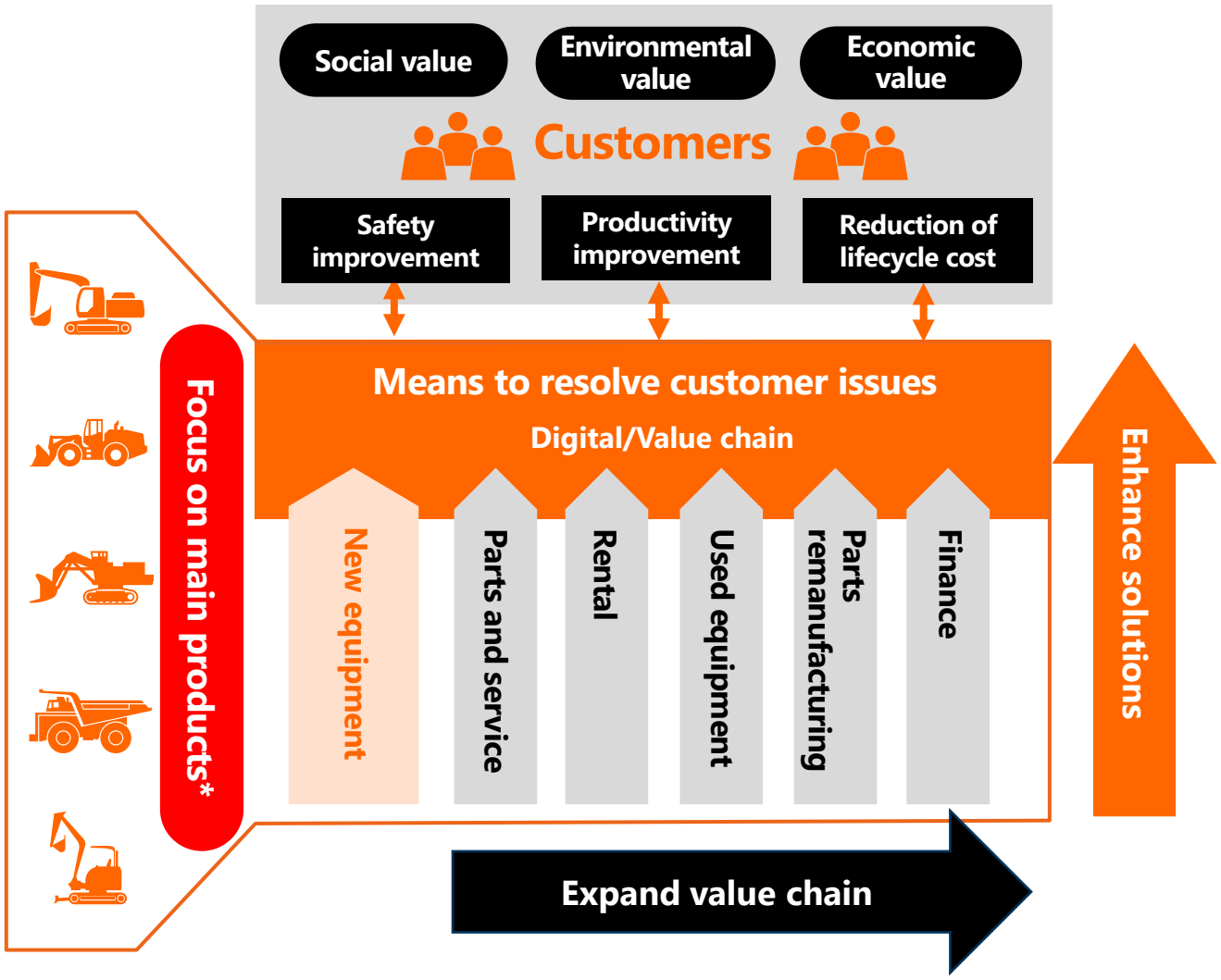
Direction of Corporate Strategy



Core of Corporate Strategy

Strengthen value chain business

Provide enhanced solutions at every contact with customers

Form highly flexible corporate structure

*Other product group: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

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ESG goals: To be a company needed by society

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Corporate vision

To pass on a productive environment and prosperous cities to future generations

2030 social value

Provide solutions that offer
safety, productivity, and life cycle cost reductions
to the global infrastructure development

Safety improvement

Contribute to zero deaths due to falls or contact accidents

Productivity improvement

Standardize automation, labor-saving construction machines

Reduction of life cycle cost

Aim for zero downtime

2030 environmental value

Provide **low-carbon technology** to the global infrastructure development

Preventing global warming

Product life cycle CO_2 reductions: Aim for
Products -33%;
Production -45%

2022 management goals (social value)

Safety improvement

Achieve contact prevention technology

Commercialize human-machine cooperative control technology

Productivity improvement

Promote ICT equipment 2800 units*

*Applicable worksites: Over 5,000 sites

Reduction of life cycle cost

Operating status management system dissemination rate: 90%

Applicable units: 200,000 units

(Environmental value)

Preventing global warming

Reduce CO_2 emissions
products CO_2 -20%
Production CO_2 -25%

Applicable units: 500,000 units

Note : We have chosen to align our activities with 10 of the 17 SDG's.

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Corporate Vision

1. Management Plan
2. Business Results
3. Company Outline and Topics

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Explanatory Meeting for Business Results for the First Quarter ended June 30, 2020

1. Regional Market Environments and Projections
2. Business Results Outline

July 27, 2020

Masafumi Senzaki
Executive Officer, President, Marketing Div.

Keiichiro Shiojima
Executive Officer, CFO

Hitachi Construction Machinery Co., Ltd.

70th Anniversary

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1. Regional Market Environments and Projections

Masafumi Senzaki
Executive Officer, President, Marketing Div.

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Global Demand Trend for Hydraulic Excavators

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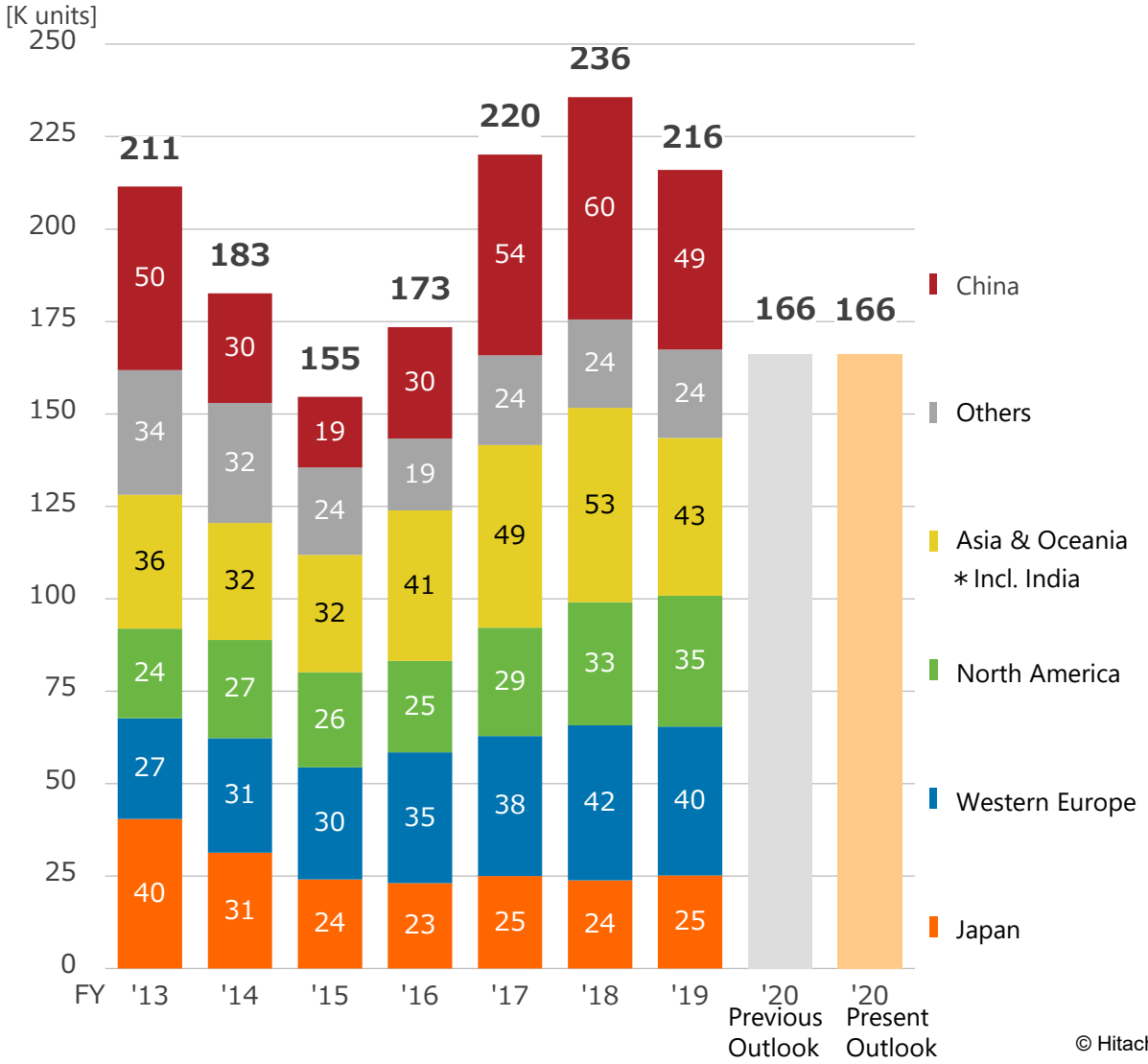
Emerging Countries ratio : FY2020 : 58% (y-y Change : +5%)

※Emerging Countries: China, Asia/Oceania, and others



Year-on-Year-Change

※Estimates by HCM, Excluding Chinese manufacturers
※Distributing, copying, or forwarding prohibited

	'19	'20
Total	-8%	-23%
China	-19%	
Russia,CIS, E Europe	+2%	
Africa	-12%	
Middle East	+10%	
Latin America	+13%	
Others	+3%	
Asia	-19%	
India	-17%	
Oceania	-22%	
Asia & Oceania	-18%	
N America	+5%	
W Europe	-4%	
Japan	+5%	

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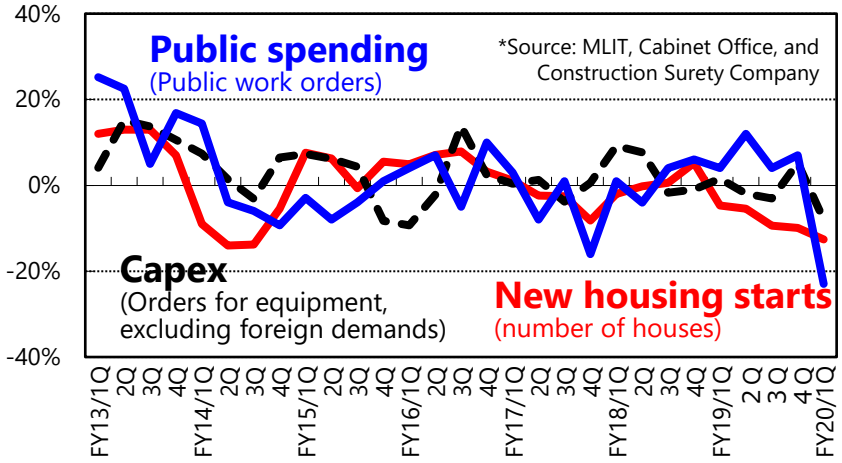
Japan: First Quarter (from April to June 2020)

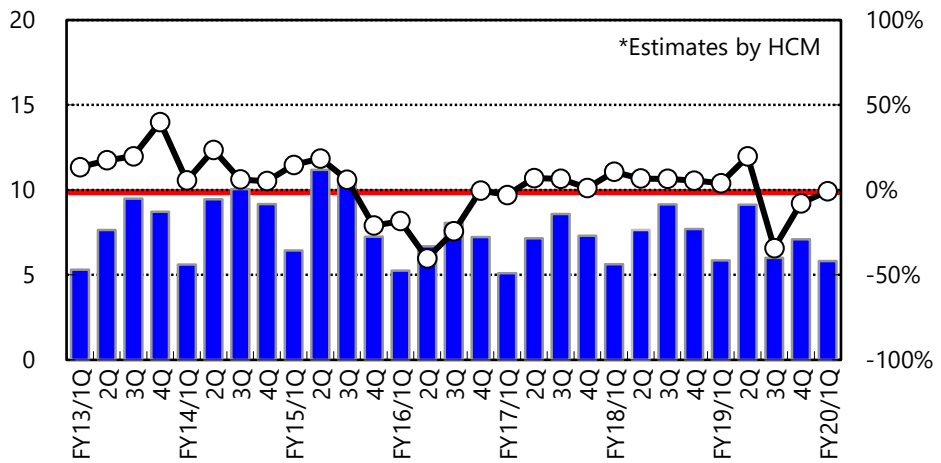
- Housing investment, public investment, and capital investment significantly decreased.
- Demand for hydraulic excavators and mini excavators slightly decreased, demand for wheel loaders decreased (-1%, -1%, and -22% y-y, respectively).

Market EnvironmentHousing/Public Spending and Capex (y-y)



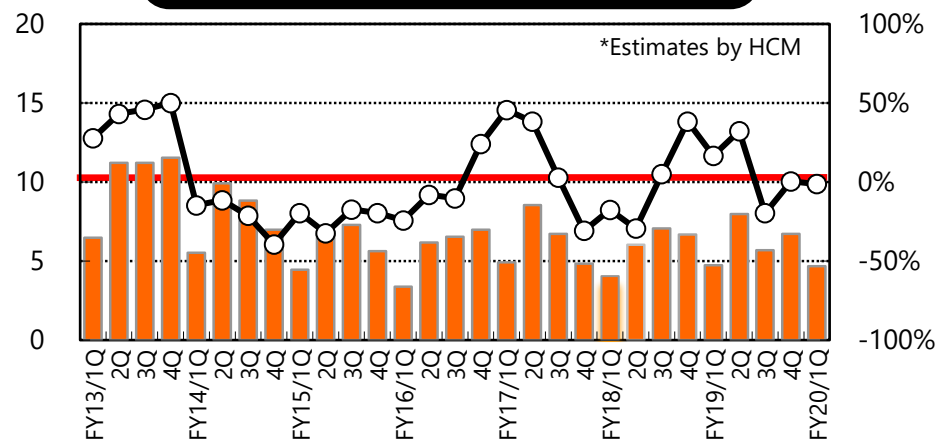
Demand Trend for Mini Excavators

[K units]



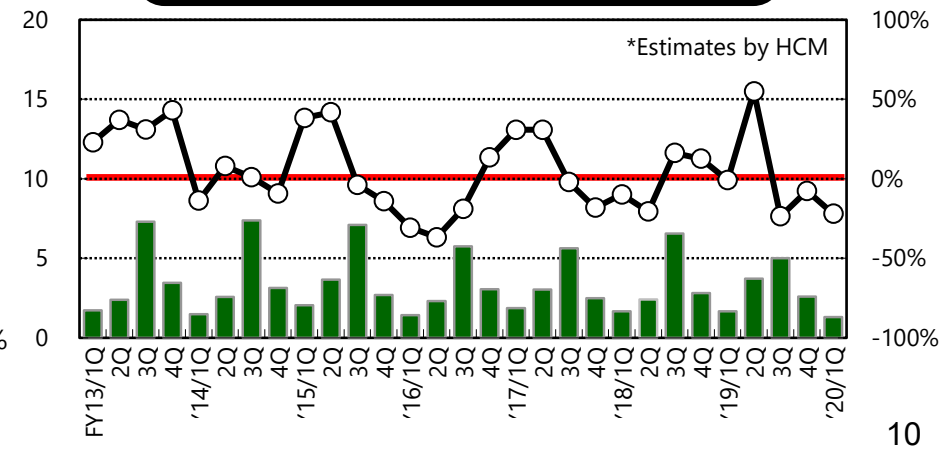
Demand Trend for Hydraulic Excavators

[K units]



Demand Trend for Wheel Loaders

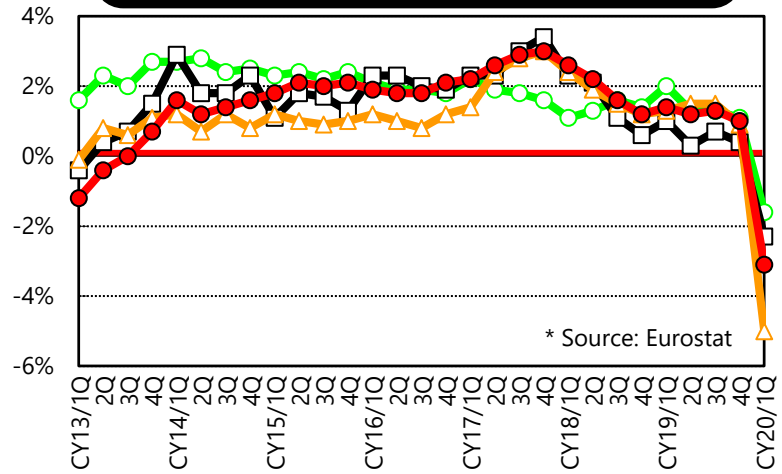
[K units]



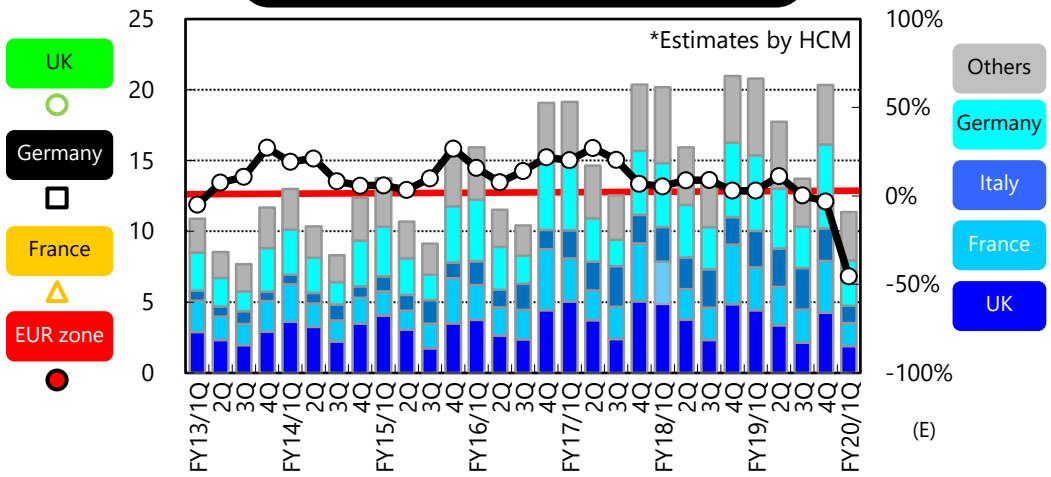
Europe: First Quarter (from April to June 2020)

- Throughout the Eurozone, GDP growth rate decreased.
- Demand for hydraulic excavators, mini excavators and wheel loaders decreased (-49%, -45%, and -54% y-y, respectively).

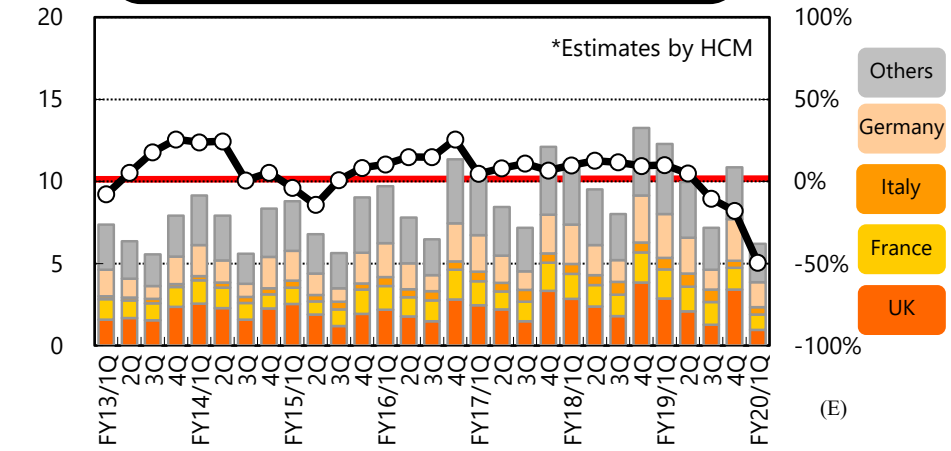
GDP Growth Rate in Major Countries (y-y)



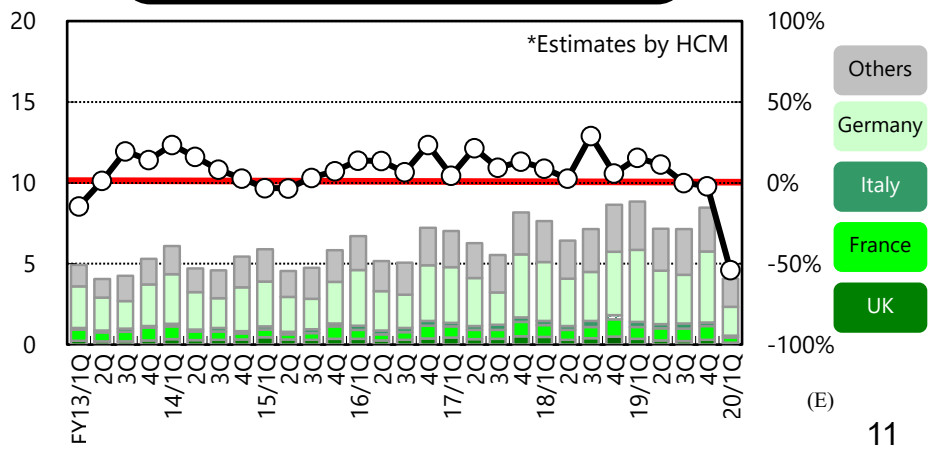
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



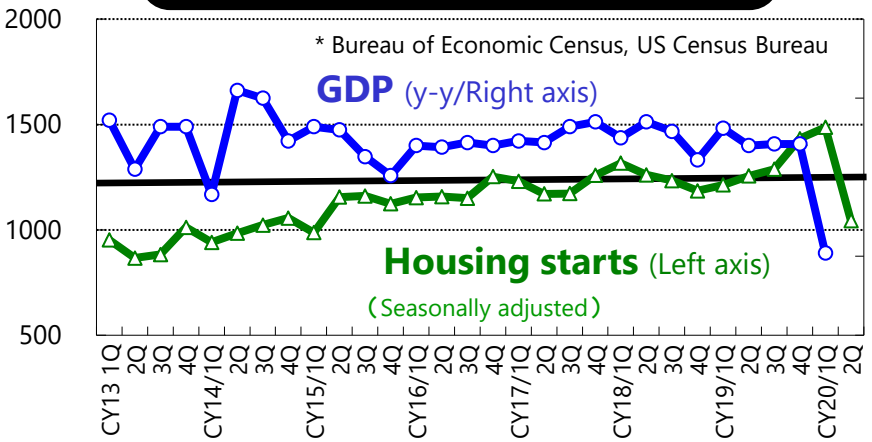
Demand Trend for Wheel Loaders



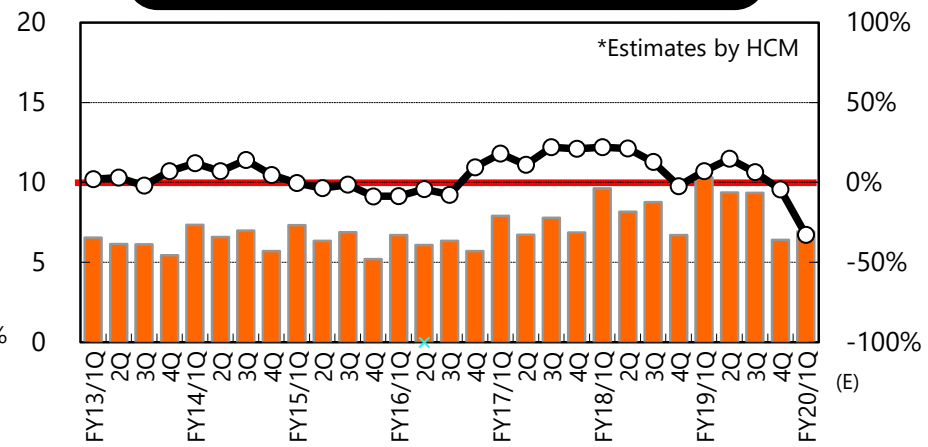
North America: First Quarter (from April to June 2020)

- Housing starts decreased, and construction investment decreased in Residential, Non-residential, and Public works.
- Demand for hydraulic excavators and mini excavators significantly decreased (-33% and -26% y-y, respectively).

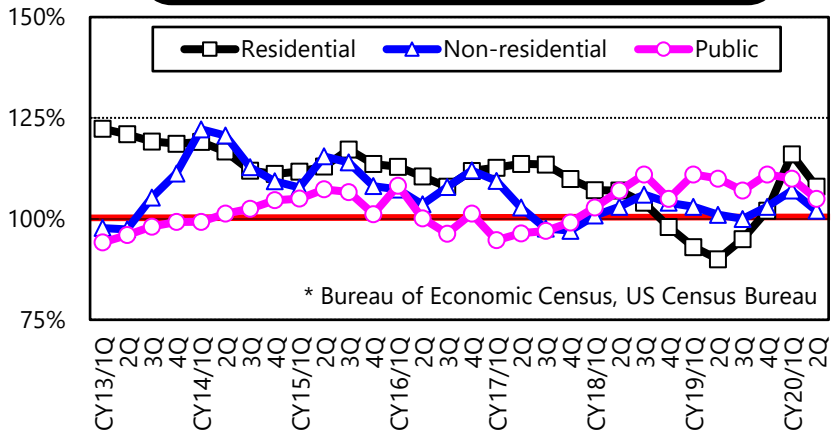
GDP Growth Rate, Housing Starts in US



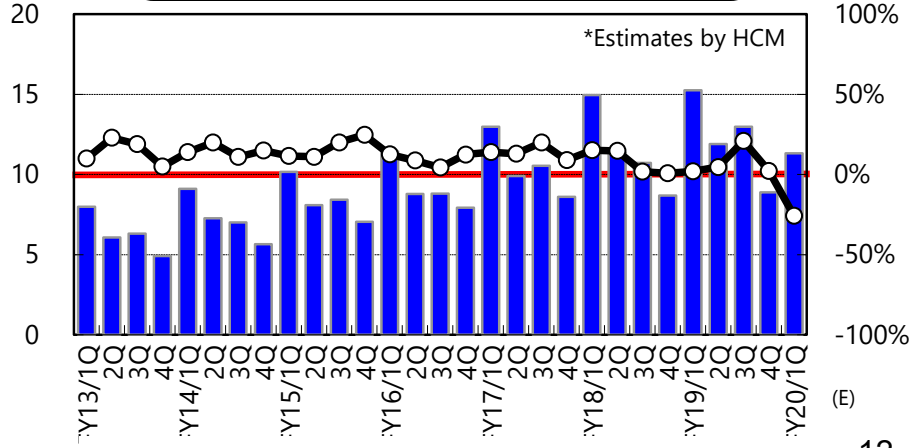
Demand Trend for Hydraulic Excavators



Construction Spending in US (y-y)



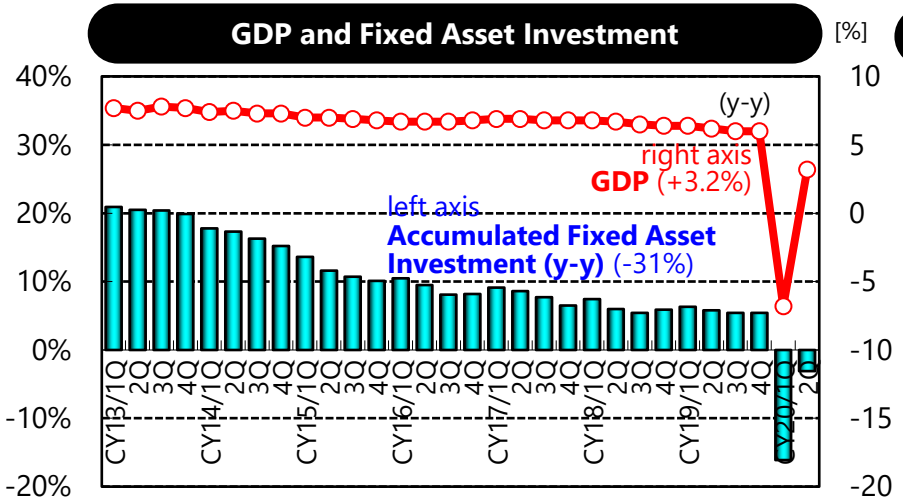
Demand Trend for Mini Excavators



China: First Quarter (from April to June 2020)

■ The GDP growth rate was 3.2%.
■ Demand for hydraulic excavators increased (+45% y-y, Foreign manufactures only).

GDP and Fixed Asset Investment



* National Bureau of Statistics of China

Quarterly Demand for Hydraulic Excavators by Region (y-y)

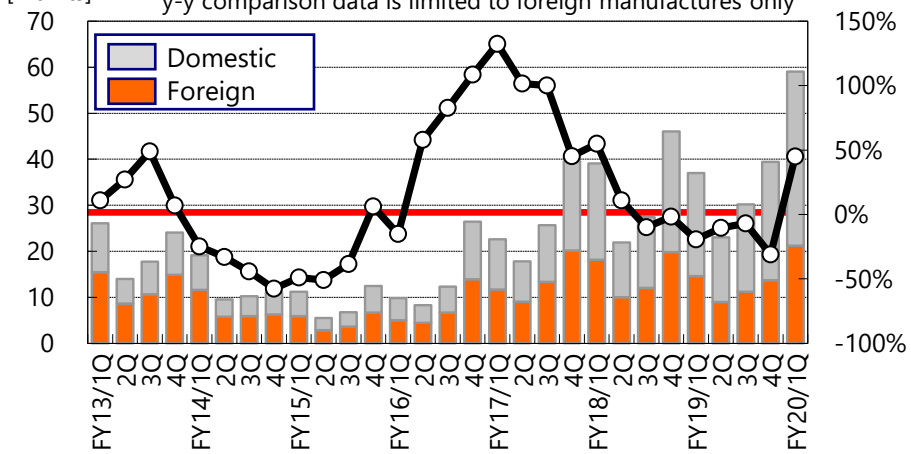
*Estimates by HCM
*Foreign manufactures only

FY19	2Q	3Q	4Q	1Q
North East	-3	+65	+9	+150
North	-30	-21	-48	+37
East	-5	-1	-24	+59
Central South	+2	-8	-32	+42
North West	-17	+7	-41	+29
South West	-21	-16	-32	+28
Total	-10	-7	-31	**+45**

[%]

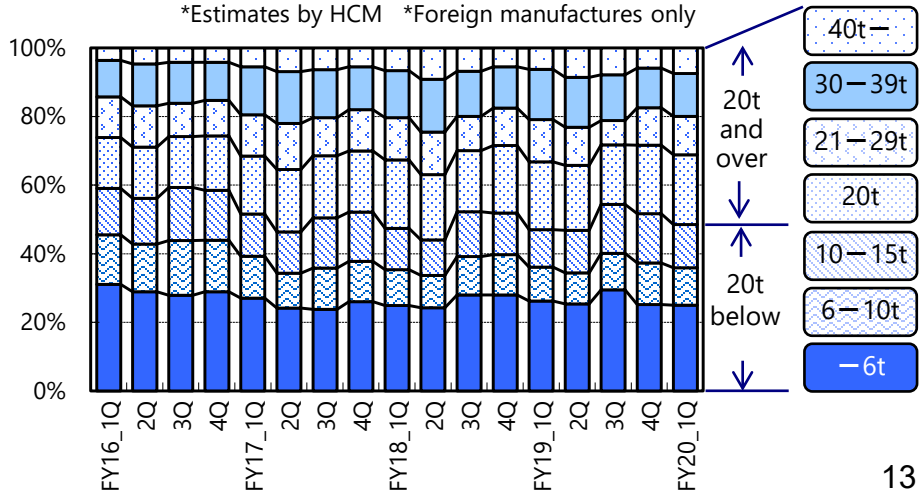
Demand Trend for Hydraulic Excavators

*Estimates by HCM
y-y comparison data is limited to foreign manufactures only

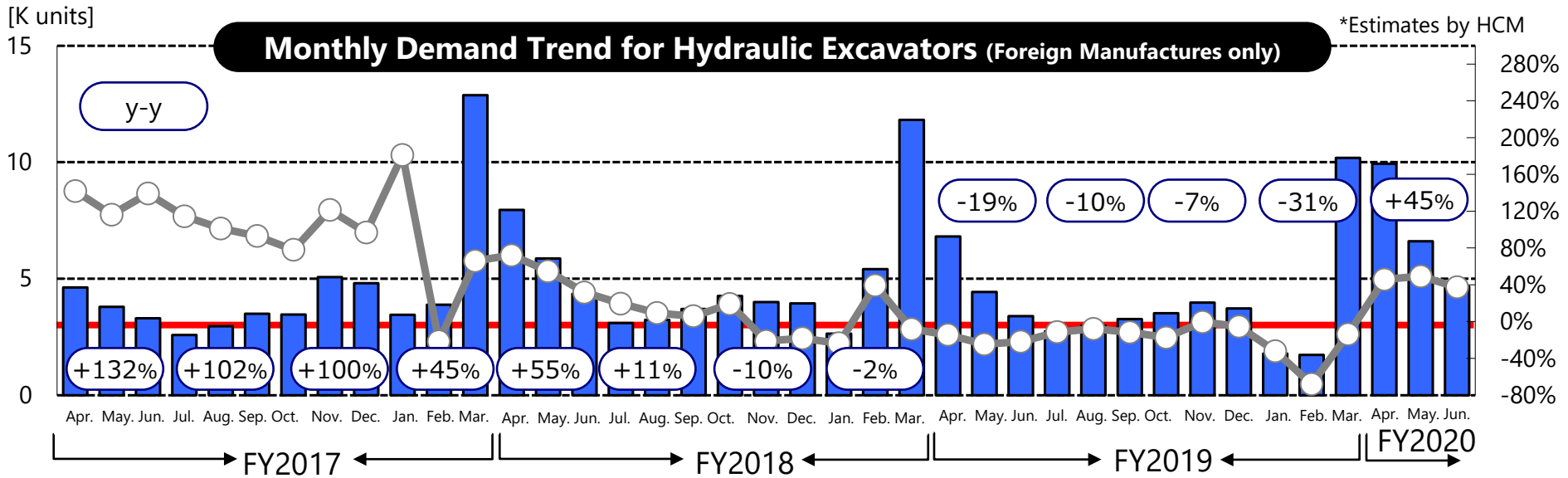


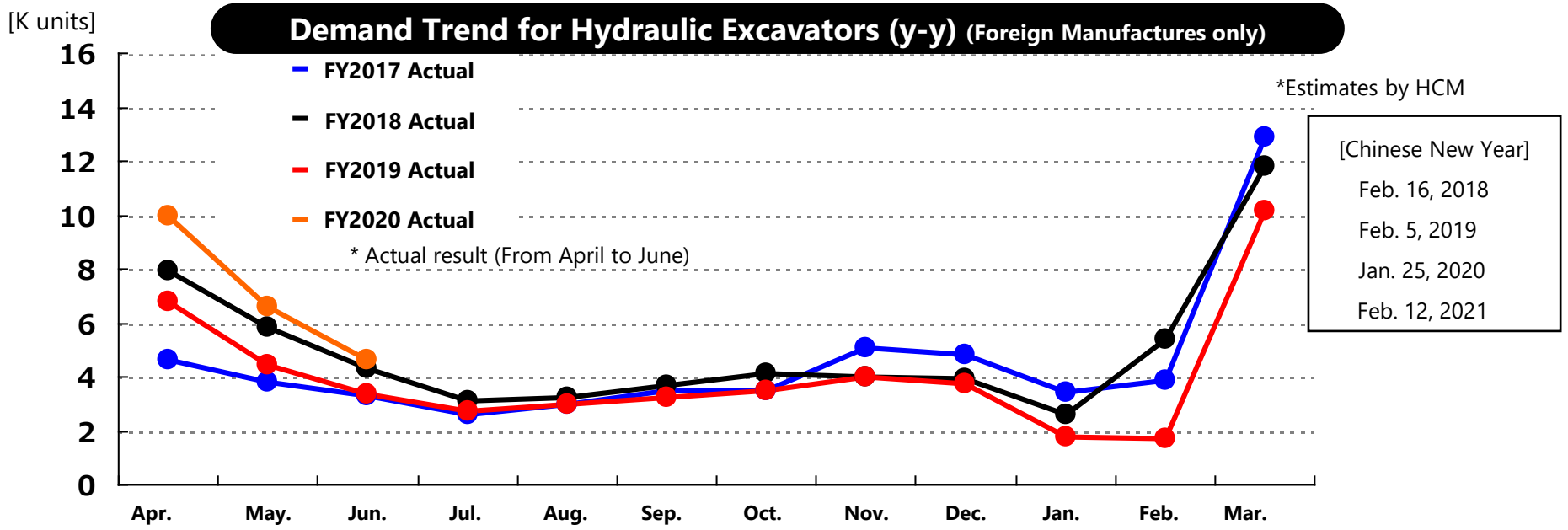
Demand Composition by Class for Mini Excavators and Hydraulic Excavators

*Estimates by HCM *Foreign manufactures only



Supplementary Information: China





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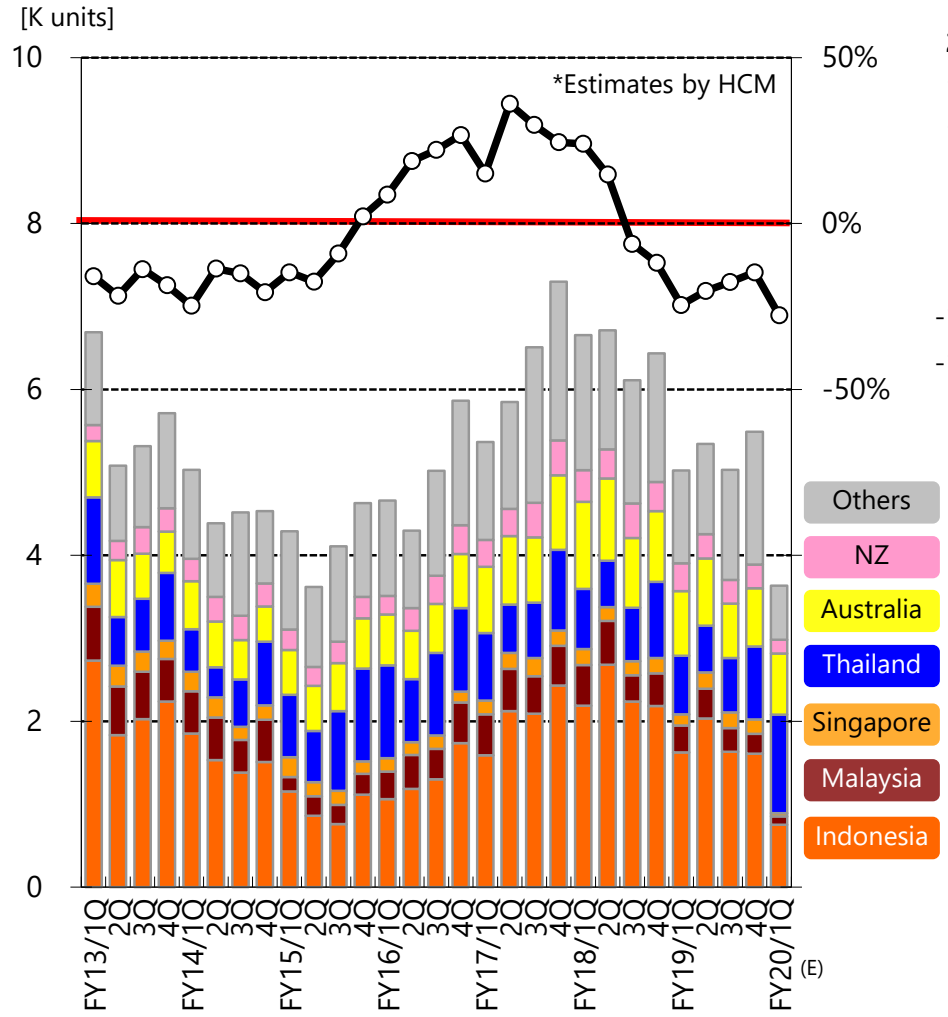
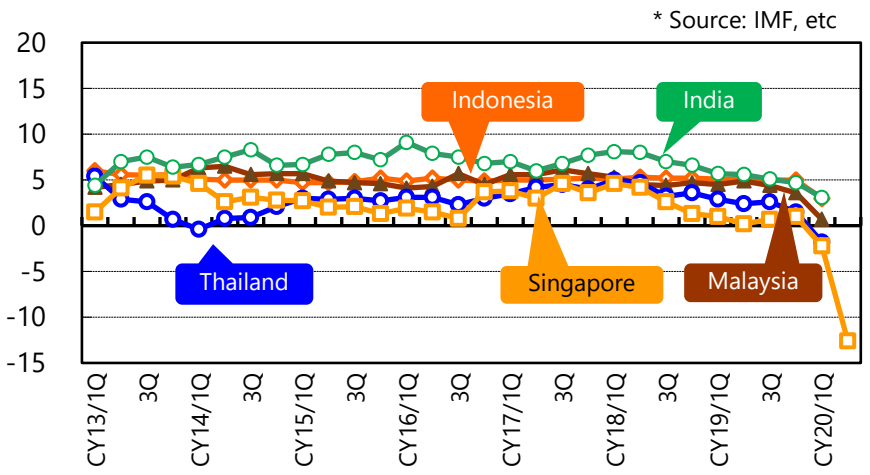
Asia Oceania, and India: First Quarter (from April to June 2020)

- Demand for hydraulic excavators decreased overall in the Asia Pacific region (-28% y-y).
- Demand for hydraulic excavators decreased in India (-74% y-y).

Demand Trend for Hydraulic Excavators in Asia & Oceania

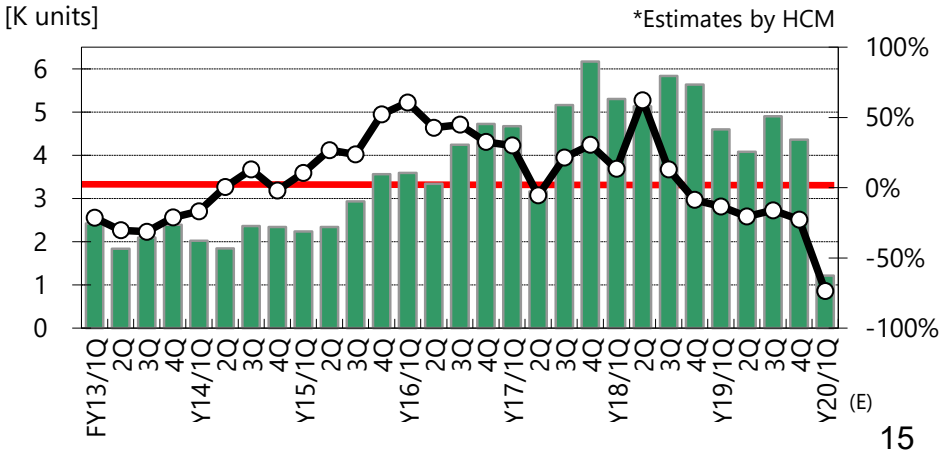


GDP Growth Rate in Major Countries (y-y)



※ Calculation criteria for GDP growth rate in India was revised in CY2013 2Q

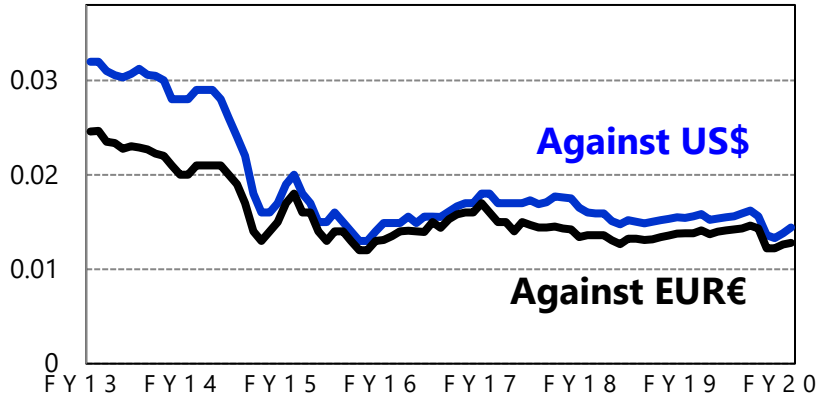
Demand Trend for Hydraulic Excavators in India



Russia and Middle East: First Quarter (from April to June 2020)

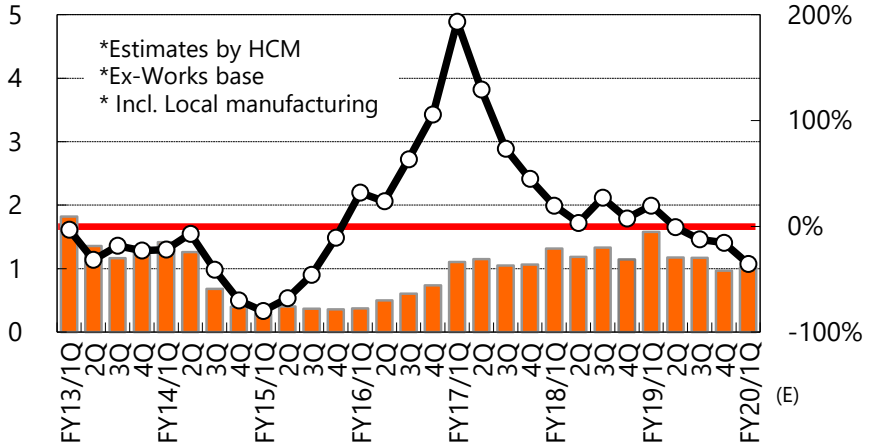
- Demand for hydraulic excavators decreased (-47% y-y) in Russia.
- Demand for hydraulic excavators in the Middle East has turned downward (-35% y-y).

Foreign Exchange Rate of the Ruble

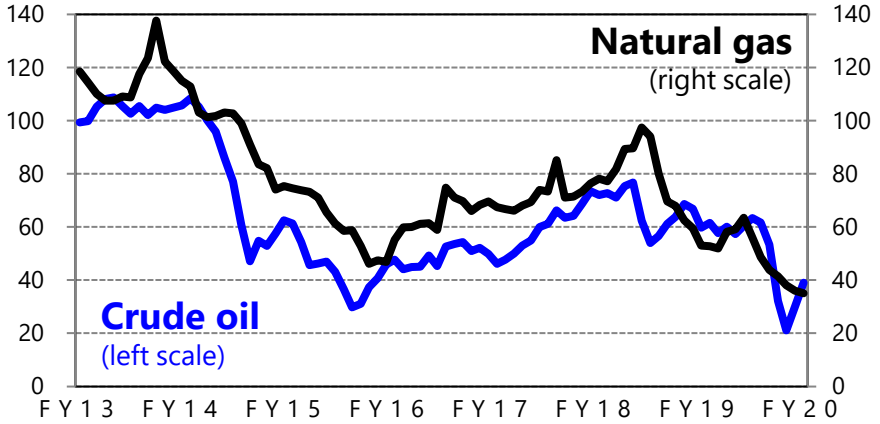


* According to HCM's research

Demand Trend for Hydraulic Excavators in Russia

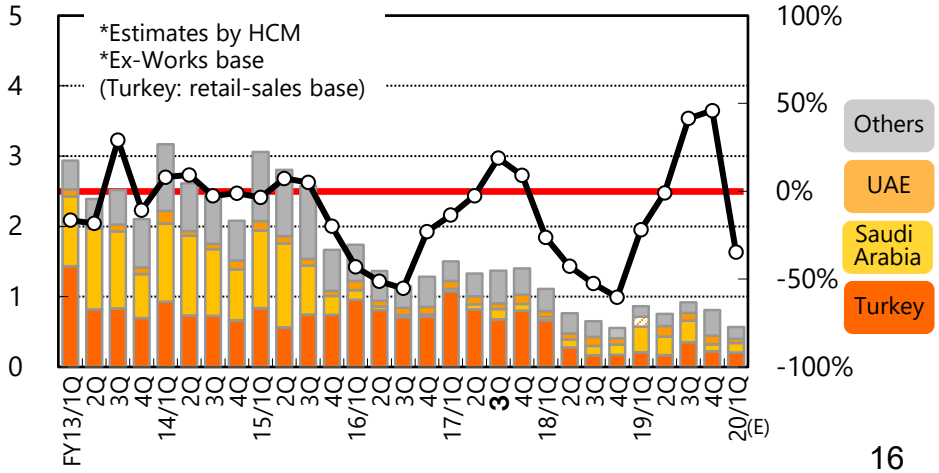


Price Trend of Crude Oil and Natural Gas



* Created by HCM, sourced from World Bank
* Natural Gas Index (2010 = 100)

Demand Trend for Hydraulic Excavators in the Middle East



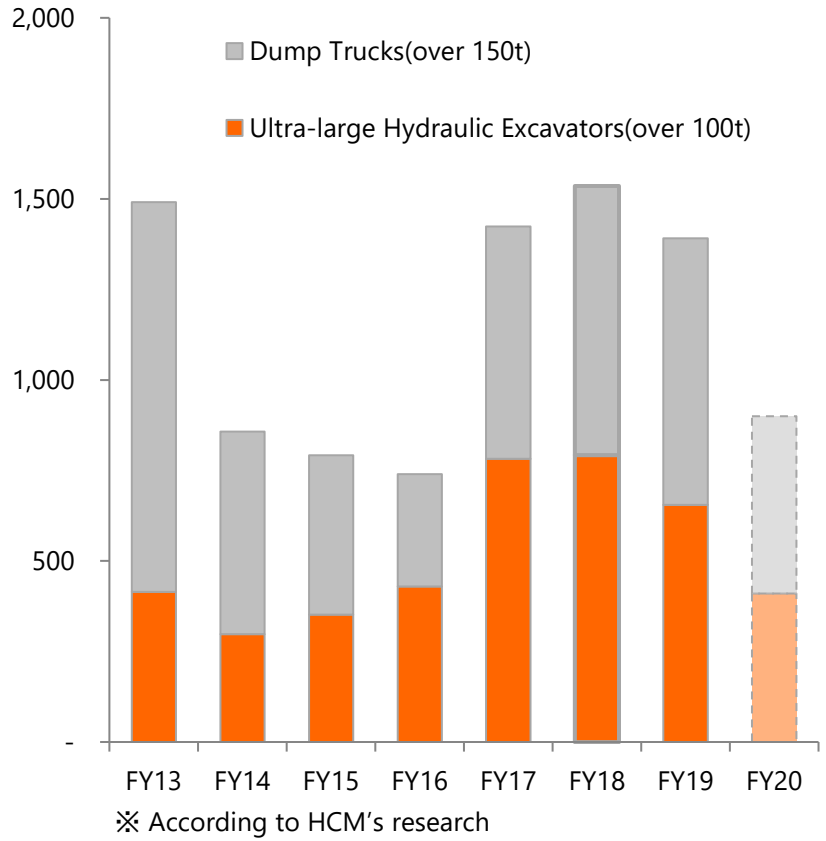
Mining equipment: FY2020 (from April 2020 to March 2021)

- The impact of the spread of COVID-19 on mining demand remains uncertain.
- There are concerns that demand for small-and medium-sized mining sites and contractors will decrease due to falling prices for thermal coal, and demand for major mining companies will decrease due to restrained capital investment. The previous forecast has been left unchanged (-35% y-y).

Ultra-large Hydraulic Excavators (over 100t), Dump Trucks(over 150t)

[Units]

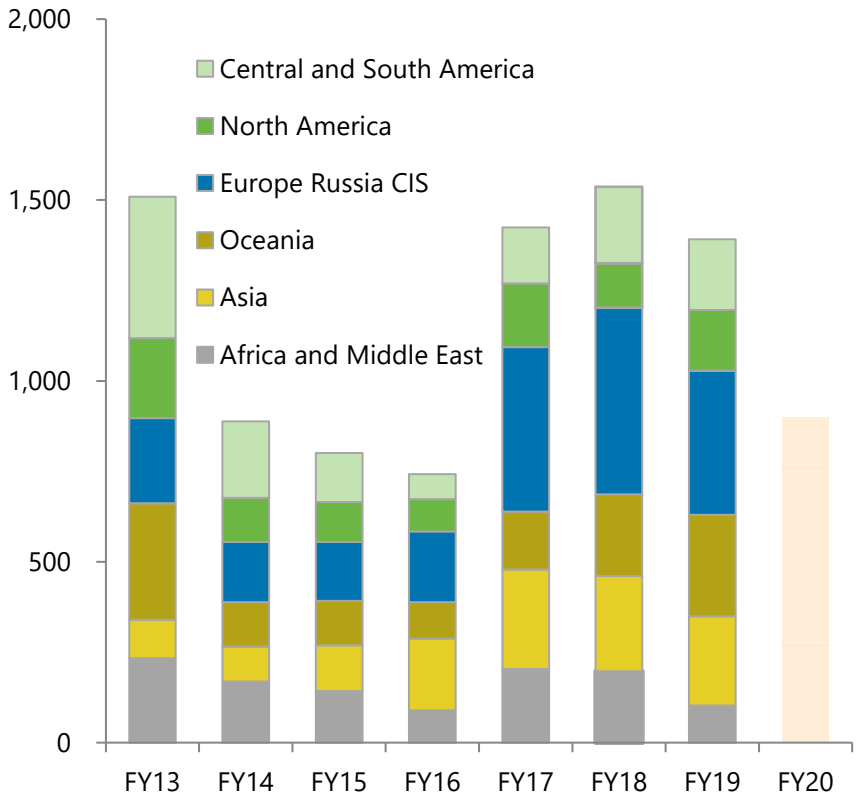
Demand by product



※ According to HCM's research

[Units]

Demand by region



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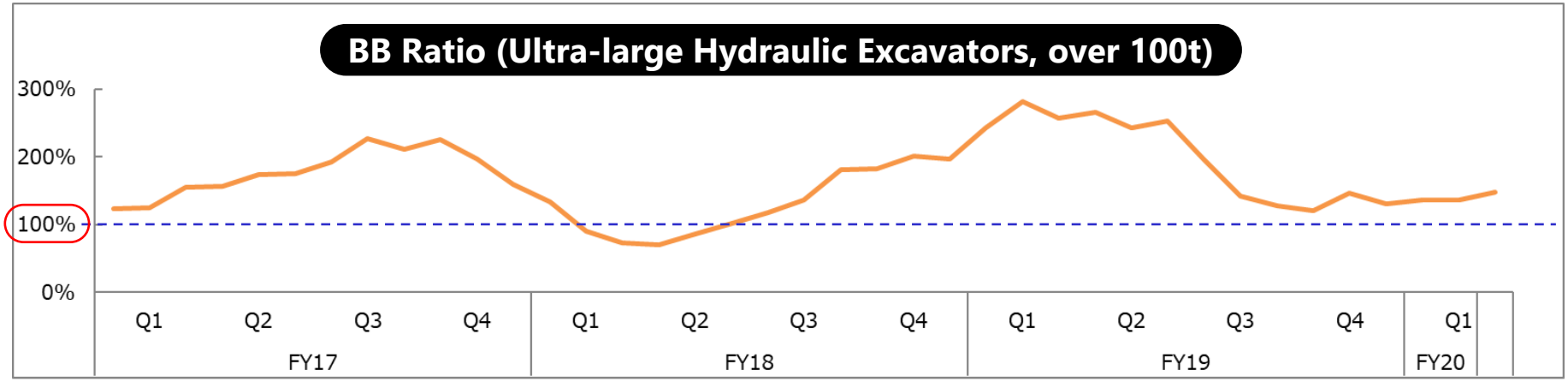
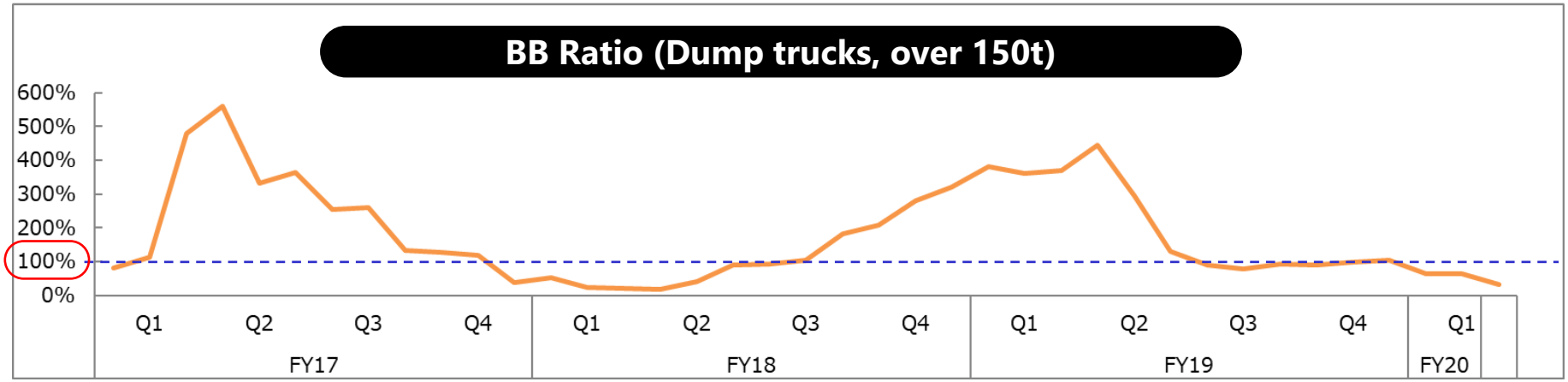
Supplementary Information: BB Ratio





* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment)
Non-consolidated basis (average of 6 months)

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Status of major markets

Region	Market trends
Japan	1 Q demand was almost flat y-y, but there are ongoing concerns due to lack of market transparency
Western Europe	Regulations easing in each country but there are ongoing concerns due to lack of market transparency
China	Part of post-Lunar New Year sales season pushed back to FY2020, and demand returning as market conditions return to normal
North America	There are ongoing concerns due to the impact of second wave and lack of market transparency
Asia	Situation varies depending on the country, but there are ongoing concerns overall due to impact of COVID-19 and demand in Indonesia due to sluggish commodity price
India	Some cities has been placed on lockdown again and there are ongoing concerns due to the spread of COVID-19 and lack of market transparency
Oceania	Construction equipment is expected to recovery gradually, but there are concerns for mining due to a lack of market transparency
Total	1Q demand was within our expected range, and demand is not expected to return to positive y-y within FY2020. Demand forecast for FY2020 is expected to decrease by 23% y-y. (1H: -25%, 2H: -20%)

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2. Business Results for the First Quarter ended June 30, 2020

(April 1, 2020 - June 30, 2020)

Keiichiro Shiojima
Executive Officer, CFO

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Summary of consolidated results

Revenue decreased by 27% and adjusted operating income decreased by 87% y-y due to the impact of COVID-19 and the appreciation of the yen, 8.5 billion yen.

[billions of yen]

		FY2020 1Q		FY2019 1Q		change
Revenue			170.2		234.7	-27%
Adjusted operating income *1		(1.7%)	2.9	(9.8%)	22.9	-87%
Operating income		(1.5%)	2.5	(10.1%)	23.7	-89%
Income before income taxes		(1.1%)	1.8	(9.2%)	21.6	-92%
Net income attributable to owners of the parent		(0.1%)	0.2	(5.8%)	13.6	-99%
EBIT *2		(1.6%)	2.7	(9.7%)	22.8	-88%
FX rate	Rate (YEN/US$)		107.6		109.9	-2.3
	Rate (YEN/EURO)		118.5		123.5	-5.0
	Rate (YEN/RMB)		15.2		16.1	-0.9
	Rate (YEN/AU$)		70.7		76.9	-6.3

*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.
*2 "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"

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Revenue by geographic region (consolidated)

Revenue decreased in each region except the Middle East y-y, consolidated revenue decreased significantly by 64.5 billion yen.

[billions of yen]

	FY2020 1Q		FY2019 1Q		change	
					amount	%
Japan	39.9	23%	40.9	17%	-0.9	-2%
Asia	9.2	5%	16.7	7%	-7.5	-45%
India	4.8	3%	13.4	6%	-8.6	-64%
Oceania	33.1	19%	38.0	16%	-4.9	-13%
Europe	13.5	8%	28.2	12%	-14.7	-52%
N.America	27.9	16%	47.1	20%	-19.2	-41%
L.America	2.8	2%	3.8	2%	-0.9	-25%
Russia-CIS	4.3	3%	10.1	4%	-5.7	-57%
M.East	3.3	2%	1.7	1%	1.6	95%
Africa	6.2	4%	8.3	4%	-2.1	-25%
China	25.1	15%	26.5	11%	-1.4	-5%
Total	170.2	100%	234.7	100%	-64.5	-27%
Overseas ratio	77%		83%			

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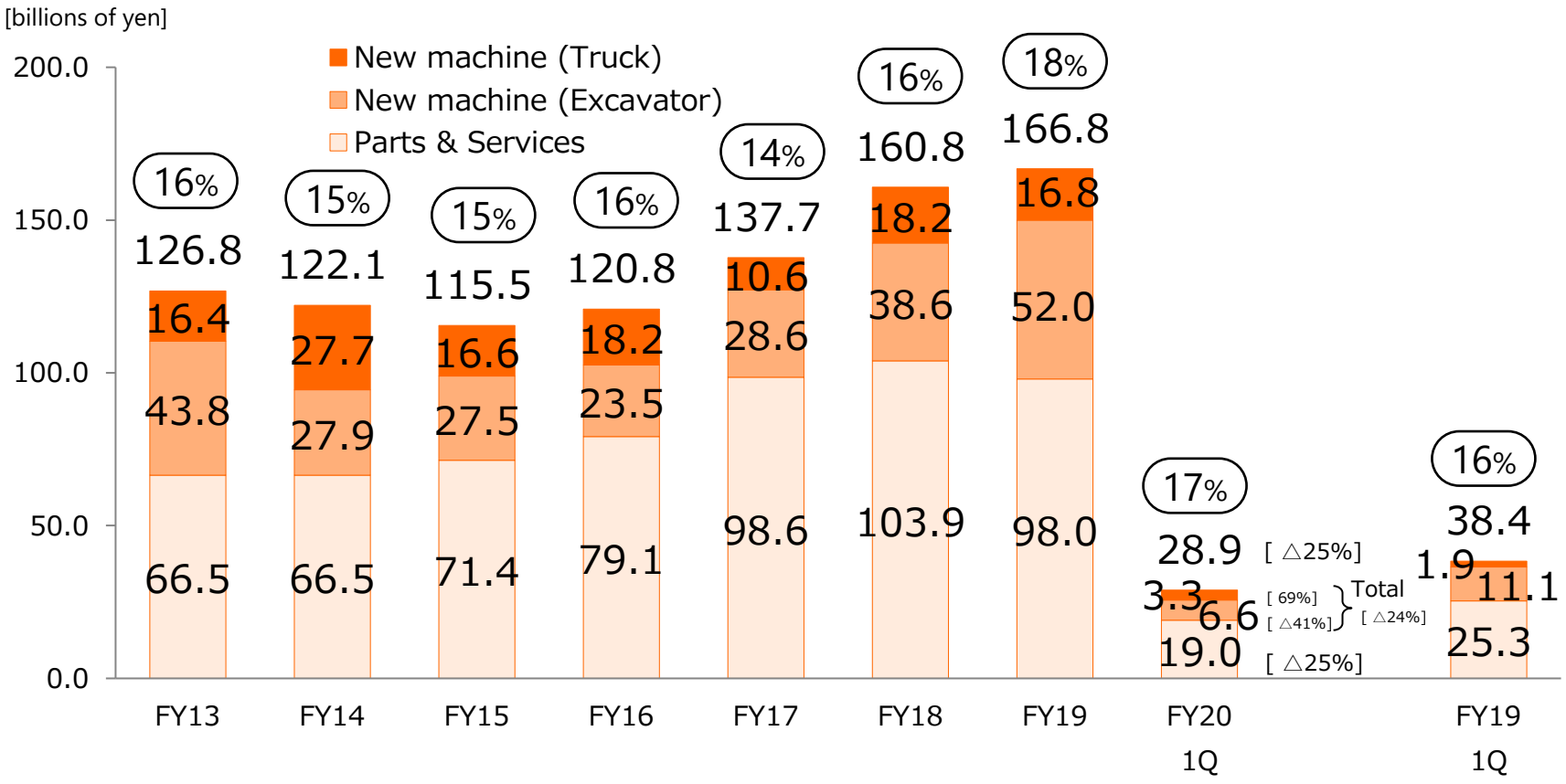
Mining revenue

Revenue of mining in FY2020 1Q decreased by 25% to 28.9 billion yen y-y, partly due to the impact of the appreciation of the yen, 3.0 billion yen.

(%) shows sales ratio against total company sales

[%] shows changed ratio from the same period of previous year



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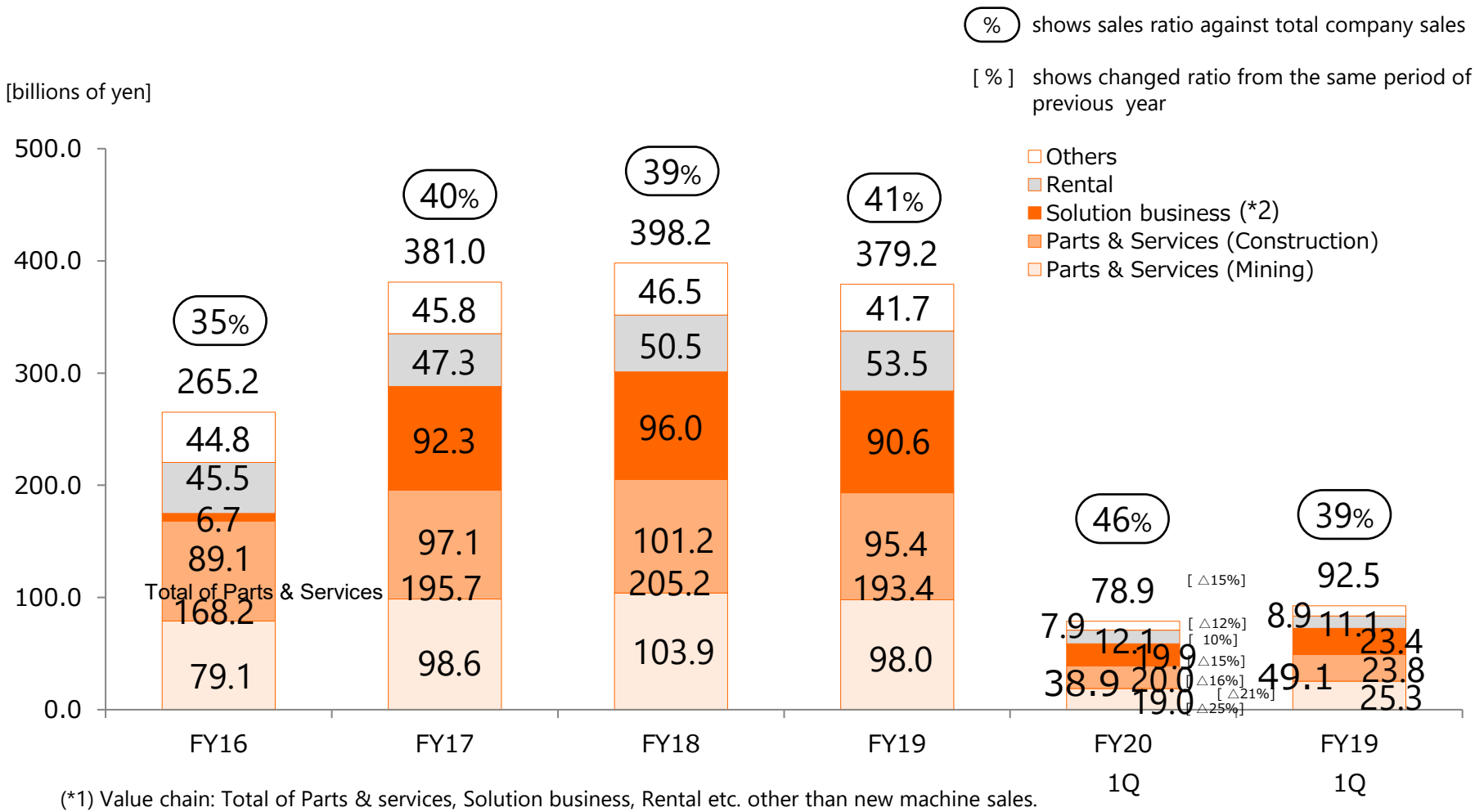
Value chain*1 revenue

Revenue of the value chain business in FY2020 1Q decreased by 15% to 78.9 billion yen y-y despite an increase in revenue of rental by 10% y-y.



(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.
(*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction equipment business segment.

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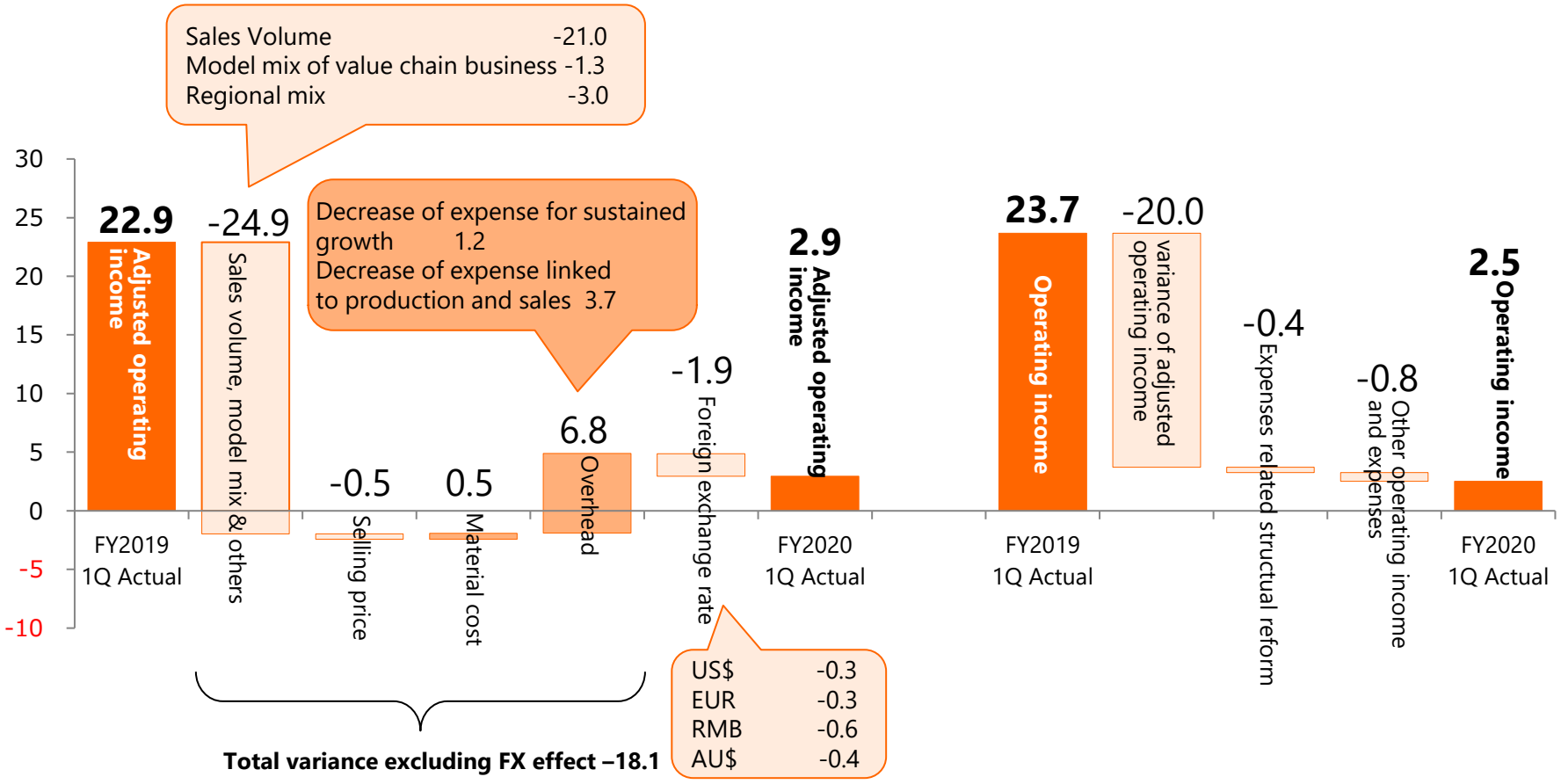
Comparison of consolidated income

HITACHI
Reliable solutions

Adjusted operating income decreased by 20.0 billion yen y-y due to the impact of the decreased sales volume and model mix including the impact of COVID-19, the fall in selling price and the appreciation of the yen despite the decreased overheads and material costs.

[billions of yen]



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Consolidated statement of income

■ SGA expenses decreased by -7.4 billion yen to 36.6 billion yen y-y.
■ Financial income/expenses improved by 1.9 billion yen to -0.8 billion yen y-y.

[billions of yen]

<> shows previous forecast as of May 2020	FY2020 1Q		FY2019 1Q		change	
					amount	%
Revenue		170.2		234.7	-64.5	-27%
Cost of Sales	(76.7%)	130.6	(71.5%)	167.8	-37.2	-22%
SGA expenses	(21.5%)	36.6	(18.8%)	44.0	-7.4	-17%
Adjusted operating income *1	(1.7%)	2.9	(9.8%)	22.9	-20.0	-87%
Other Income/expenses		-0.4		0.8	-1.2	-
Operating income	(1.5%)	2.5	(10.1%)	23.7	-21.2	-89%
Financial income/expenses		-0.8		-2.8	1.9	-70%
Share of profits of investments accounted for using the equity method		0.1		0.7	-0.6	-85%
Income before income taxes	(1.1%)	1.8	(9.2%)	21.6	-19.8	-92%
Income taxes		0.6		6.1	-5.5	-90%
Net income	(0.7%)	1.2	(6.6%)	15.5	-14.3	-92%
Net income attributable to owners of the parent	(0.1%)	0.2	(5.8%)	13.6	-13.4	-99%

*1 “Adjusted operating income” is calculated by excluding “Other income” and “Other expenses” from “Operating Income” listed in Consolidated Statements of Income.

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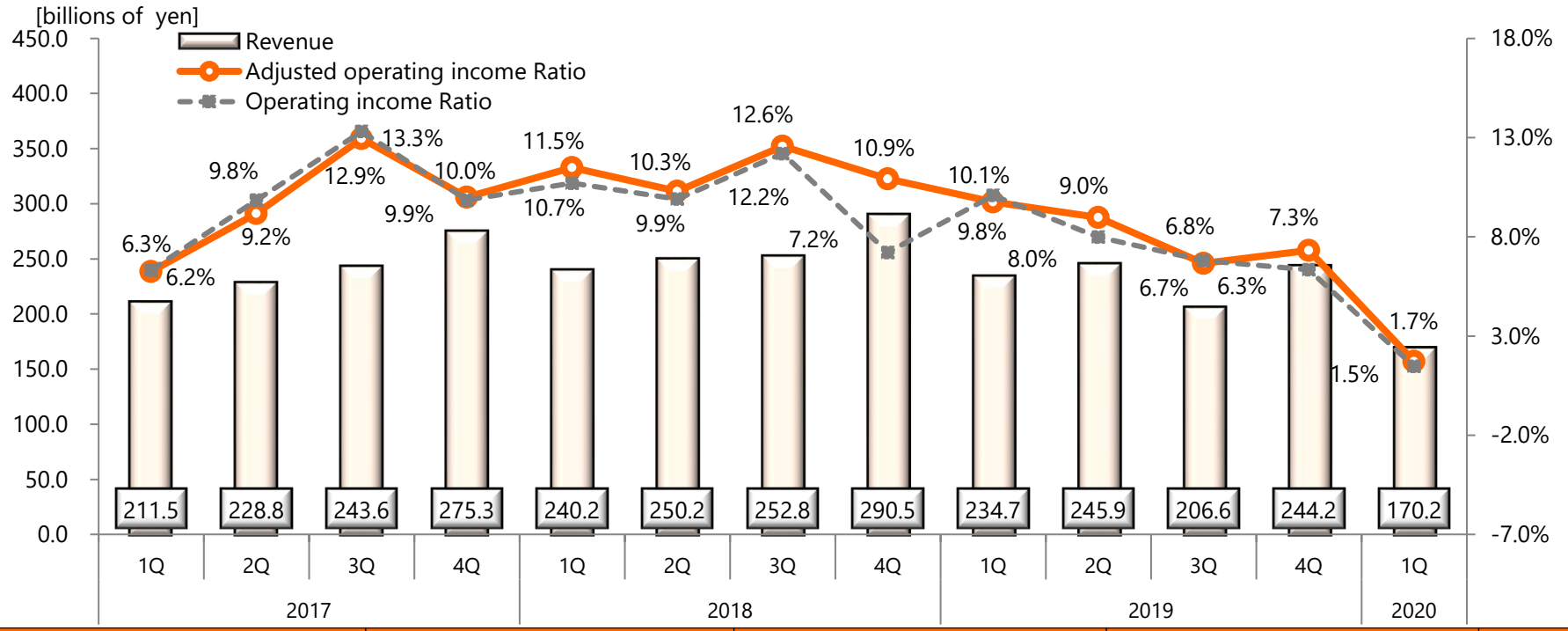
Summary of quarterly consolidated revenue and operating income (ratio)

[billions of yen]

	2017				2018				2019				2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	211.5	228.8	243.6	275.3	240.2	250.2	252.8	290.5	234.7	245.9	206.6	244.2	170.2
Adjusted operating income	13.2	21.0	31.5	27.5	27.6	25.8	31.8	31.7	22.9	22.1	13.8	17.9	2.9
Operating income	13.4	22.5	32.4	27.1	25.7	24.8	30.8	21.0	23.7	19.6	14.1	15.5	2.5



FX rate	2017				2018				2019				2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Rate (YEN/US$)	111.1	111.0	113.0	108.3	109.1	111.5	112.9	110.2	109.9	107.4	108.8	108.9	107.6
Rate (YEN/EURO)	122.2	130.4	133.0	133.2	130.1	129.6	128.8	125.2	123.5	119.3	120.3	120.1	118.5
Rate (YEN/RMB)	16.2	16.6	17.1	17.1	17.1	16.4	16.3	16.3	16.1	15.3	15.5	15.6	15.2
Rate (YEN/AU$)	83.4	87.6	86.8	85.3	82.6	81.5	81.1	78.5	76.9	73.6	74.3	71.8	70.7

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Consolidated statement of financial position

Total assets decreased by 11.7 billion yen y-y due to decreased trade receivables of 36.3 billion yen, increased cash and deposits, etc.

[billions of yen]

	(A) FY20-1Q	(B) Mar '2020	(C) FY19-1Q	(A)-(B) change
Cash and cash equivalents	71.0	62.2	56.5	8.8
Trade receivables	176.2	212.5	221.6	-36.3
Inventories	310.3	301.2	337.5	9.0
Total current assets	593.3	612.8	661.4	-19.5
Total non-current assets	562.6	554.8	547.8	7.8
Total assets	1,155.9	1,167.6	1,209.2	-11.7
Trade receivables incl. non-current	215.3	252.1	266.8	-36.8
Inventories by products				
Unit	83.5	76.2	95.8	7.3
Parts	108.4	103.0	104.5	5.4
Others	118.4	122.0	137.3	-3.6
Total inventories	310.3	301.2	337.5	9.0
On hand days(divided by revenue)				(Days)
Trade receivables	91	99	95	-8
Inventories	131	118	120	13
Trade payables	40	43	52	-3
Net working capital	178	171	160	8

	(D) FY20-1Q	(E) Mar '2020	(F) FY19-1Q	(D)-(E) change
Trade and other payables	166.6	188.7	226.9	-22.2
Bonds and borrowings	343.9	338.9	333.3	4.9
Total liabilities	626.5	642.5	678.1	-16.0
(Equity attributable to owners of the parent ratio)	(41.2%)	(40.6%)	(39.3%)	(0.6%)
Total equity	529.4	525.1	531.1	4.3
Total liabilities and equity	1,155.9	1,167.6	1,209.2	-11.7
	(29.8%)	(29.0%)	(27.6%)	(0.7%)
Interest-bearing debt	343.9	338.9	333.3	4.9
Cash and Cash equivalents	71.0	62.2	56.5	8.8
Net interest-bearing debt	(23.6%)	(23.7%)	(22.9%)	(-0.1%)
Debt	272.9	276.8	276.8	-3.9
Net D/E Ratio	0.57	0.58	0.58	-0.01

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Consolidated cash flow

■ Net cash provided by (used in) operating activities improved by 37.8 billion yen to positive 21.4 billion yen y-y due to improved working capital.
■ Free cash flows improved by 39.5 billion yen to positive 12.2 billion yen y-y.

[billions of yen]

	FY2020 1Q		FY2019 1Q		change	
Net income		1.2		15.5		-14.3
Depreciation and amortization	12.9	11.8	26.2	10.7	-13.3	1.0
(Increase)decrease in trade/lease receivables		41.9		6.4		35.4
(Increase)decrease in inventories		-2.8		-20.9		18.0
Increase(decrease) in trade payables	19.9	-19.2	-22.7	-8.3	42.5	-10.9
Others, net		-11.4		-19.9		8.5
Net cash provided by (used in) operating activities		21.4		-16.3		37.8
Cash flow margin for operating activities		12.6%		-7.0%		19.6%
Net cash provided by (used in) investing activities		-9.3		-11.0		1.7
Free cash flows		12.2		-27.3		39.5
Net cash provided by (used in) financing activities		-4.3		18.0		-22.3

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Summary of consolidated earnings forecast

Based on the uncertain market conditions due to the impact of COVID-19 and 17.0 billion yen of the negative impact of forex, consolidated sales revenue is expected to decrease by 17% and adjusted operating income by 48%.

[billions of yen]

	FY2020 Forecast	FY2019 Actual	change amount	change %
Revenue	770.0	931.3	-161.3	-17%
Adjusted operating income	(5.2%) 40.0	(8.2%) 76.6	(-3.0%) -36.6	-48%
Operating income	(4.7%) 36.0	(7.8%) 72.8	(-3.1%) -36.8	-51%
Income before income taxes	(4.4%) 34.0	(7.2%) 67.1	(-2.8%) -33.1	-49%
Net income attributable to owners of the parent	(2.6%) 20.0	(4.4%) 41.2	(-1.8%) -21.2	-51%
EBIT	37.6	71.6	-34.0	

Currency	1Q Actual	2Q-4Q Forecast	Total Forecast	FY2019 Actual	change
Rate (YEN/US$)	107.6	105.0	105.6	108.7	-3.1
Rate (YEN/EURO)	118.5	120.0	119.8	120.8	-1.1
Rate (YEN/RMB)	15.2	15.0	15.1	15.7	-0.6
Rate (YEN/AU$)	70.7	72.0	71.7	74.1	-2.4

For FX sensitivity, please refer to appendix 1.

Cash dividend per share (yen) *1	to be determined			60	-

*1 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

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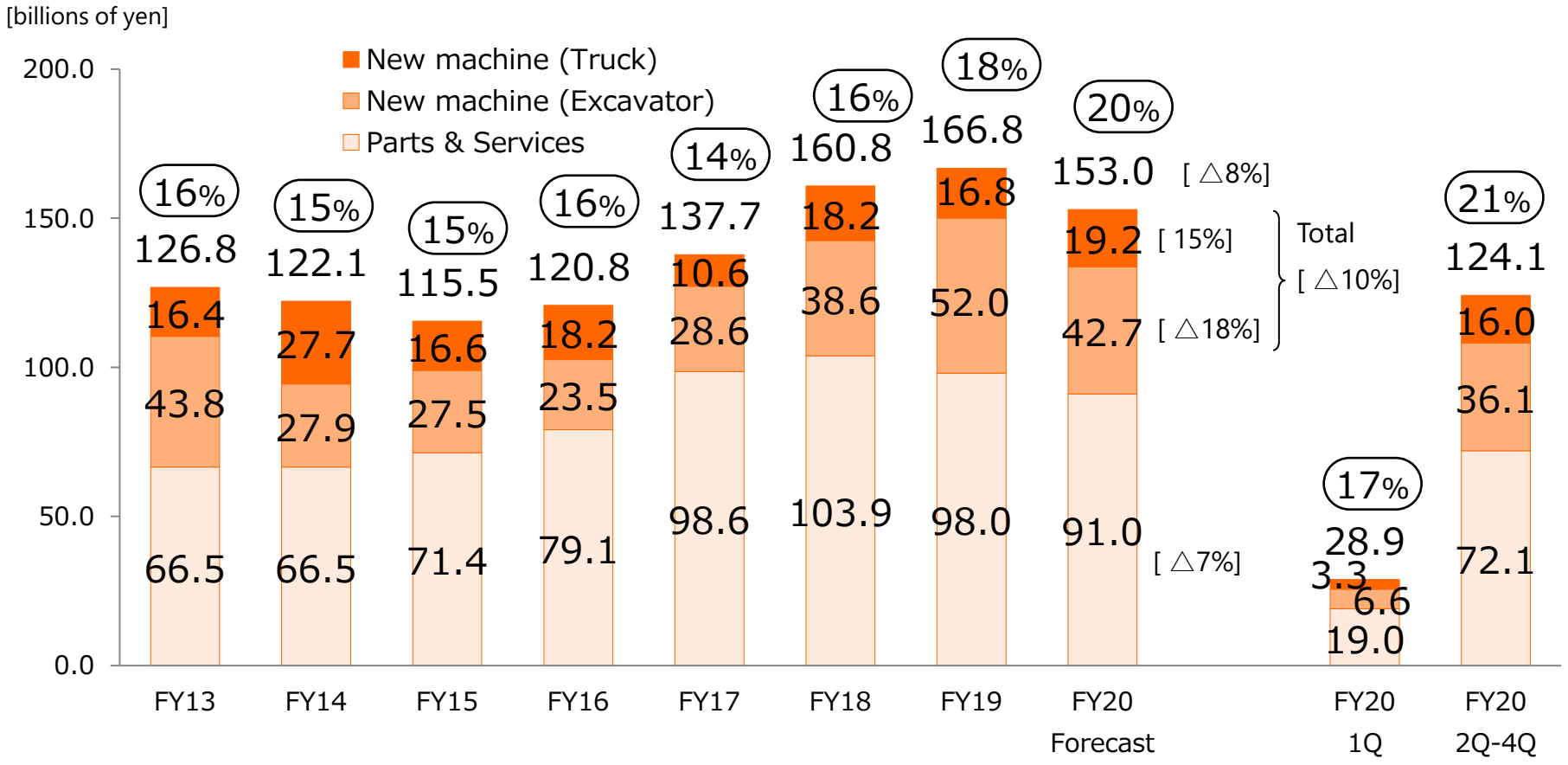
Mining revenue forecast

HCM forecasts a decrease in FY2020 mining revenue by 8% to 153.0 billion yen y-y due to the expected appreciation of the yen.

(%) shows sales ratio against total company sales
[%] shows changed ratio from the same period of previous year



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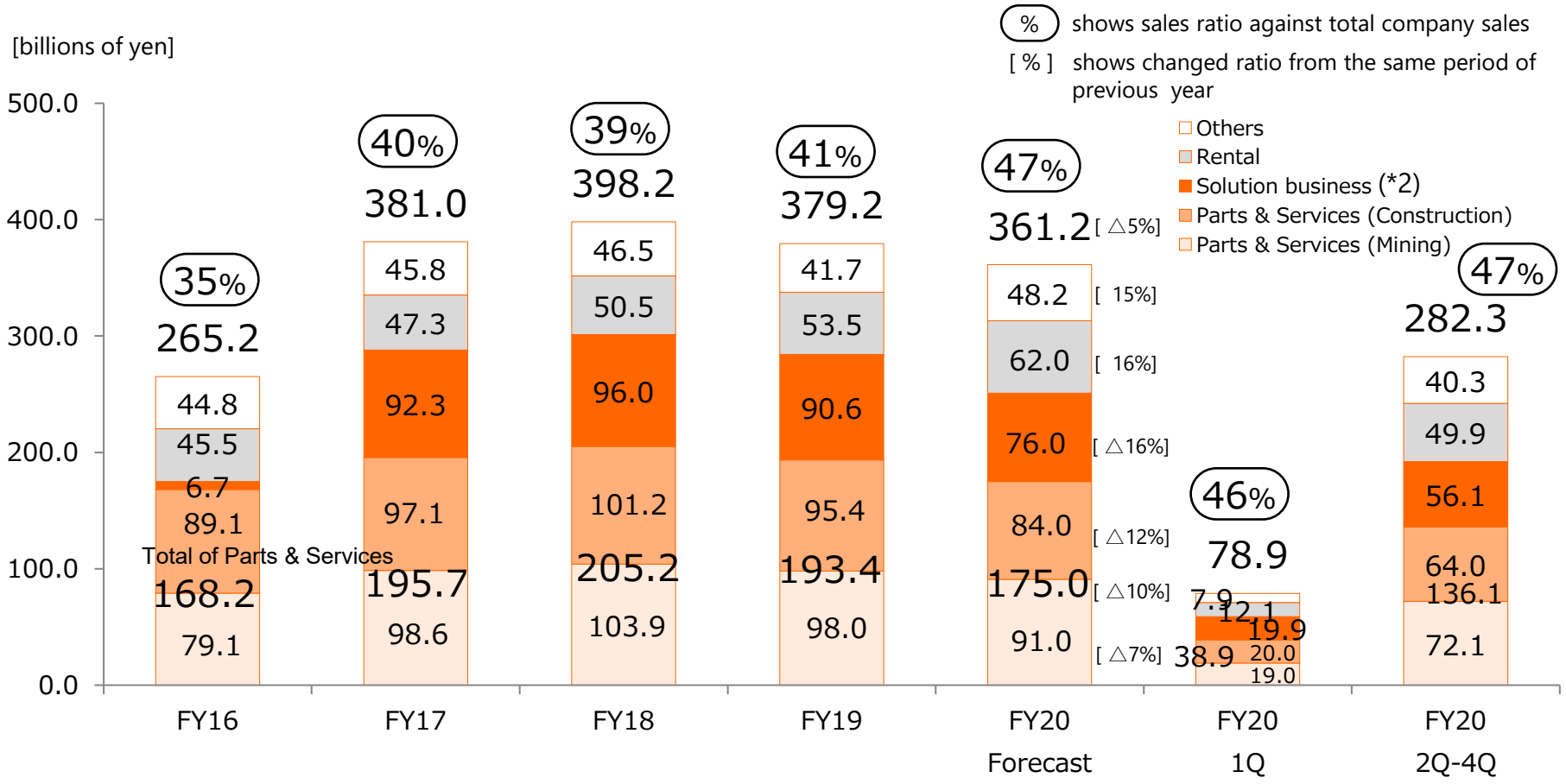
Value chain*1 revenue forecast

HCM forecasts a decrease in FY2020 sales of the value chain business by 5% y-y due to the impact of COVID-19 on construction parts and services and the expected appreciation of the yen despite the increase in the revenue of rental and used equipment.



(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.
(*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction equipment business segment.

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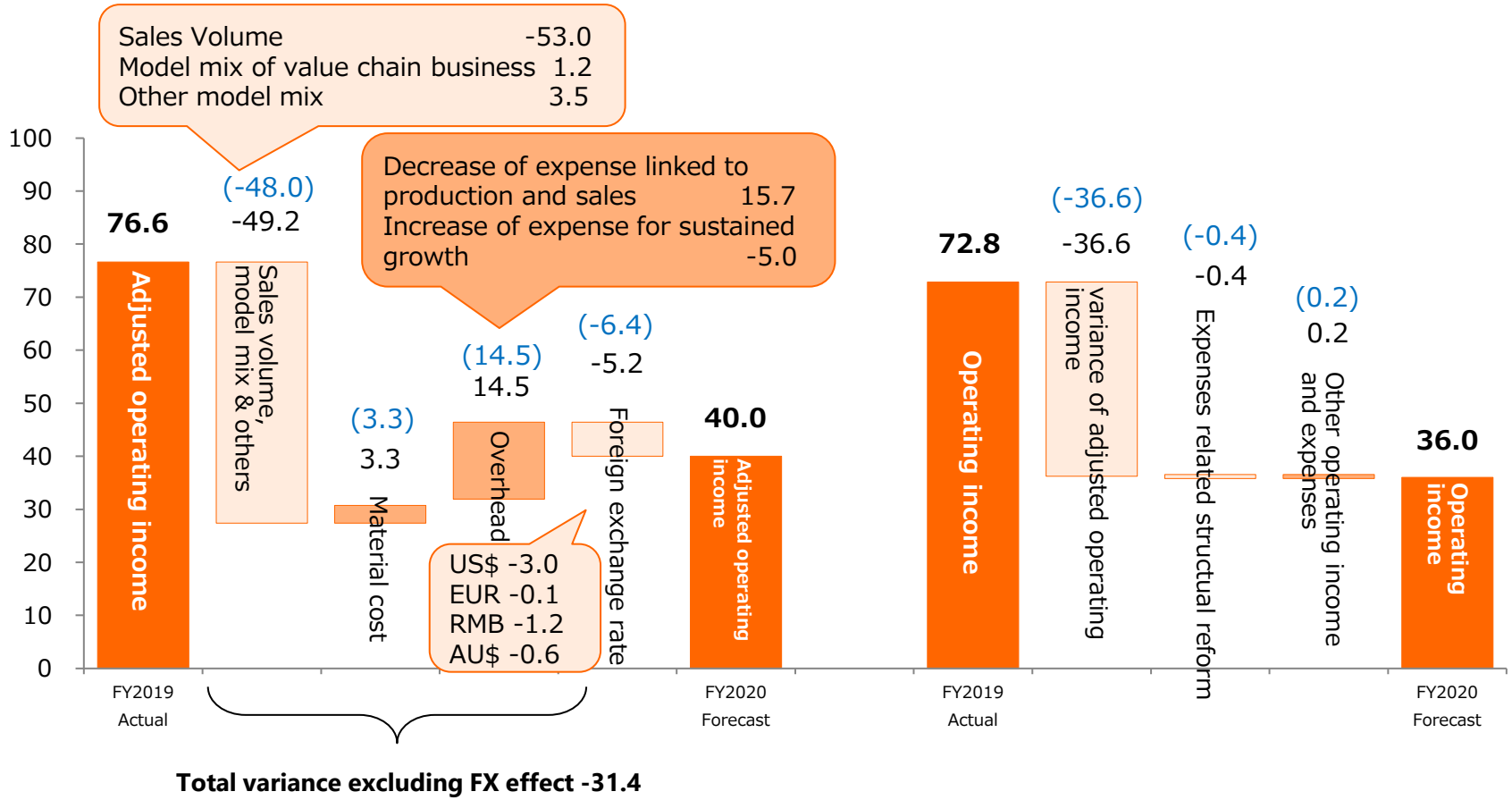
Comparison of consolidated income forecast

Adjusted operating income for FY2020 is expected to decrease by 36.6 billion yen y-y due to a decrease in sales volume caused by the impact of COVID-19 and the appreciation of the yen, although there is a reduction in overheads costs and material costs.

note : ( ) shows previous forecast as of May 2020

[billions of yen]



Total variance excluding FX effect -31.4

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Appendix 1: FX rate and FX sensitivity

The forecast exchange rate for FY2020 2Q-4Q was set within the expected fluctuation range for each currency.

[billions of yen]

Currency	FX rate				FX sensitivity (2Q-4Q)		
	FY20			FY19 Actual	Condition	Revenue	Adjusted operating income
	1Q Actual	2Q-4Q Forecast	Total Forecast				
US$	107.6	105.0	105.6	108.7	Impact by 1 yen depreciation	1.0	0.8
EURO	118.5	120.0	119.8	120.8	Impact by 1 yen depreciation	0.4	0.3
RMB	15.2	15.0	15.1	15.7	Impact by 0.1 yen depreciation	0.4	0.1
AU$	70.7	72.0	71.7	74.1	Impact by 1 yen depreciation	1.5	0.2

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Appendix 2: Detail of mining revenue

[billions of yen]

		FY19 1Q	FY20 1Q	Change
America	Excavator	3.4	3.2	-0.2
	Dump Truck	1.3	0.3	-1.0
	Total	4.7	3.5	-1.2
Europe, Africa and Middle East	Excavator	5.8	3.2	-2.6
	Dump Truck	3.0	2.0	-1.1
	Total	8.8	5.2	-3.6
Asia & Oceania	Excavator	18.0	11.9	-6.1
	Dump Truck	6.0	7.7	1.7
	Total	24.0	19.7	-4.3
China	Excavator	0.2	0.2	0.0
	Dump Truck	0.0	0.0	-0.0
	Total	0.2	0.2	-0.0
Japan	Excavator	0.6	0.3	-0.4
	Dump Truck	0.0	0.0	0.0
	Total	0.6	0.3	-0.3
Total	Excavator	28.0	18.9	-9.2
	Dump Truck	10.3	10.0	-0.3
	Total	38.4	28.9	-9.5

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Appendix 3: Segment information

The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 0.2 billion yen are included in the first quarter of FY2020, and 1.2 billion yen in the forecast for FY2020.

[billions of yen]

FY2020 1Q Actual	Reportable segment				Adjustments *1	Total	
	Construction equipment Business		Solution Business				
Revenue		150.2		20.4	-0.4		170.2
Adjusted operating income	0.6%	1.0	9.7%	2.0	-	1.7%	2.9

[billions of yen]

FY2020 Forecast	Reportable segment				Adjustments *1	Total	
	Construction equipment Business		Solution Business				
Revenue		694.0		76.0	0.0		770.0
Adjusted operating income	5.1%	35.4	6.1%	4.6	-	5.2%	40.0

*1: Adjustments represent eliminations of intersegment transactions, and amounts of companies that do not belong to any operation segment.

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Reliable solutions

Corporate Vision

1. Management Plan
2. Business Results
3. Company Outline and Topics

Company Outline

・Company Name	Hitachi Construction Machinery Co., Ltd. Stock Exchange Listings：Tokyo (#6305)
・Major Operations	Manufacturing , sales and service of construction equipment, transportation equipment, and other machines and devices.
・Established	1 October, 1970
・Capital	81.6 billion Yen (Hitachi, Ltd：50.81%)
・President	Kotaro Hirano
・Subsidiaries Affiliates	Japan: 7 companies, Overseas: 73 companies Japan: 4 companies, Overseas: 20 companies
・Number of Employees	Consolidated :25,248 Non-consolidated :5,527

(March 31, 2020)

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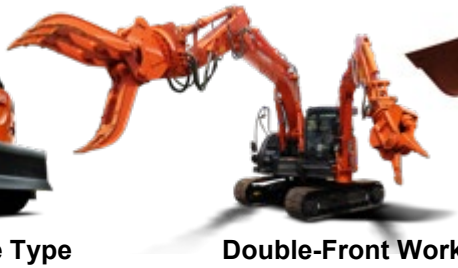
Our Products and Revenue

Construction

Hydraulic Excavator
(Hybrid / ICT hydraulic excavator)

Mini excavator

Wheel-drive Type Hydraulic Excavator



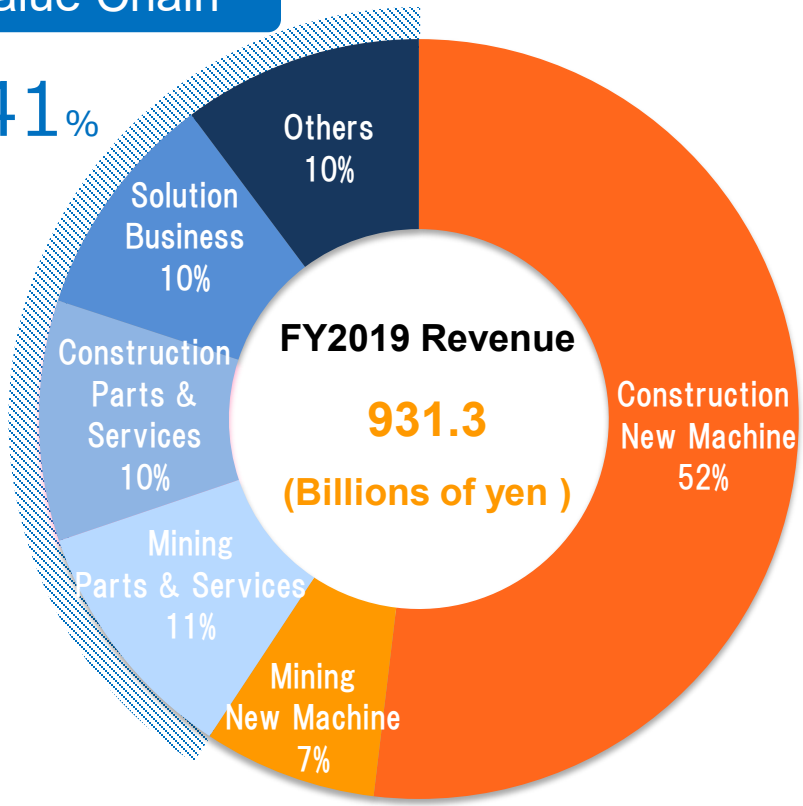
Double-Front Work Machine

Wheel Loader

Road Construction equipment

Value Chain

41%



Mining

Dump Truck

Ultra-large Hydraulic Excavator

Value Chain business

Mine management system

H-E Parts

Bradken

ConSite

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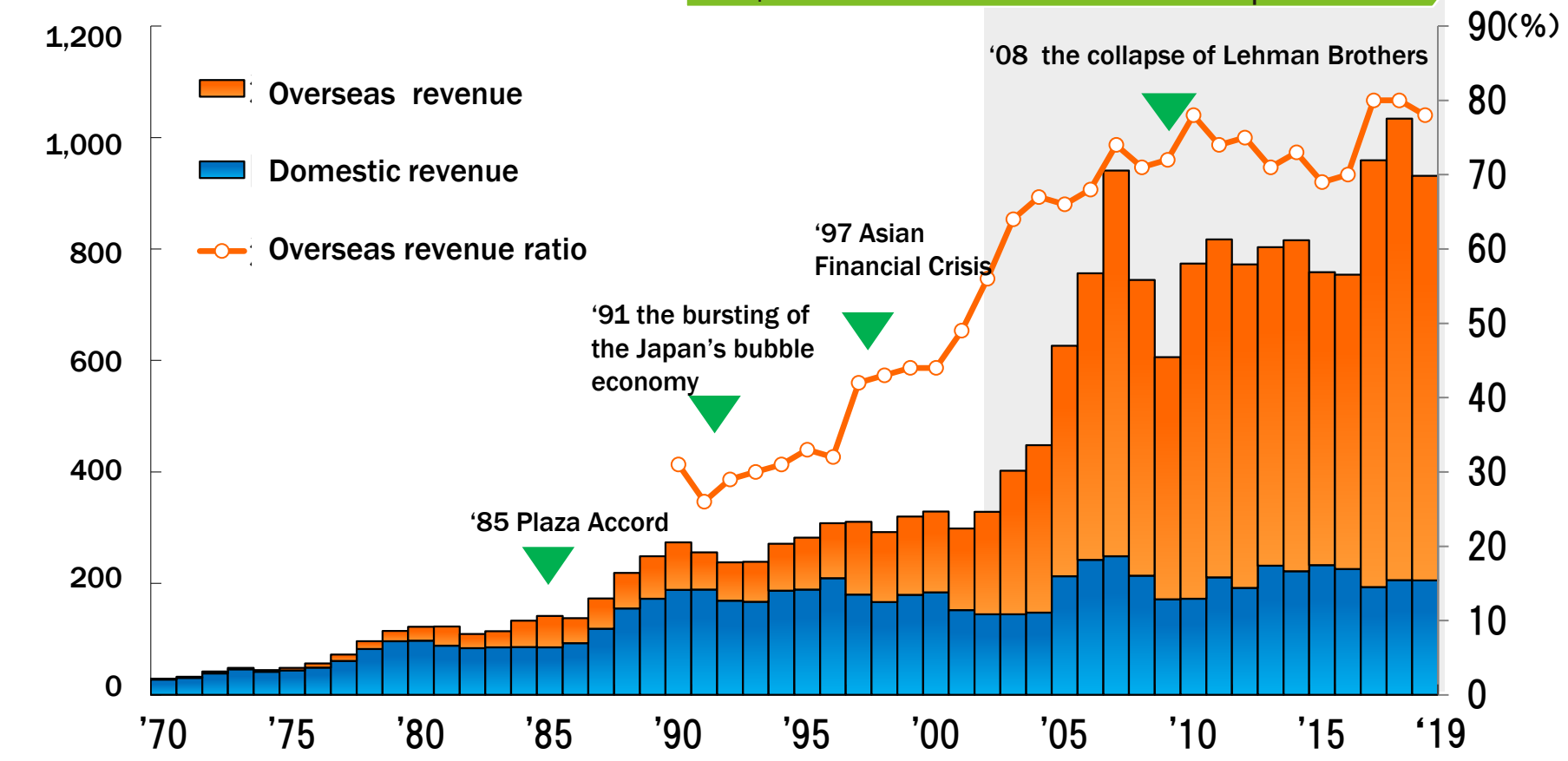
Sales Trend

Main business: Japan → Expansion of overseas business

"Made in Japan" main → Localizing Manufacturing

Europe & America | China | Sales network covering the Europe,

Product Expansion: • Mini excavator • Wheel Loader • Dump truck



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Sales Trend-Decentralization in sales and profit

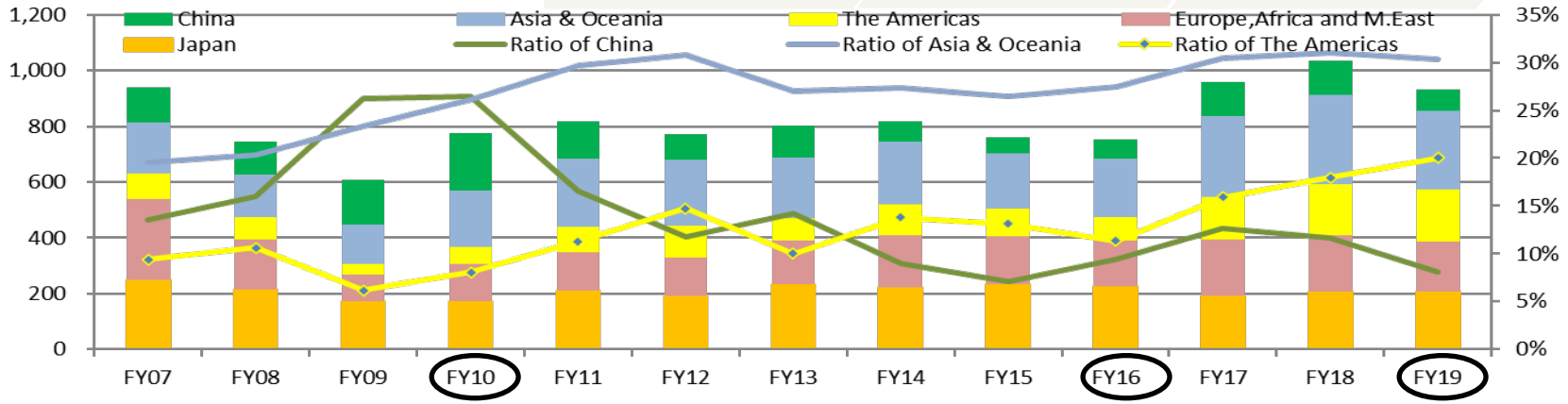
■Sales ratio in China decreased, regional decentralization in profit

<Change in sales ratio>

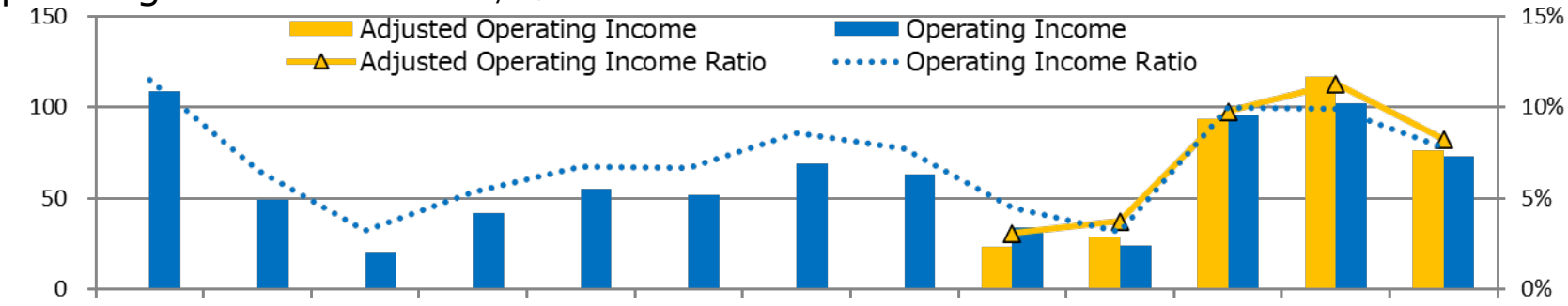
		(FY10)		(FY16)		(FY19)
China	:	26%	→	10%	→	8%
Asia & Oceania(Oceania)	:	26%(10%)	→	28%(13%)	→	30%(16%)
The Americas	:	8%	→	11%	→	20%

<Revenue> (billions of yen)

Go Together 2013 | GROW TOGETHER 2016 | CONNECT TOGETHER 2019



<Operating Income> (billions of yen)



	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
US$	114	101	92	85	79	82	100	111	120	109	111	111	109
Euro	161	156	129	112	108	108	135	138	132	119	130	128	121

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Global Network（Major sites）

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Global Restructuring

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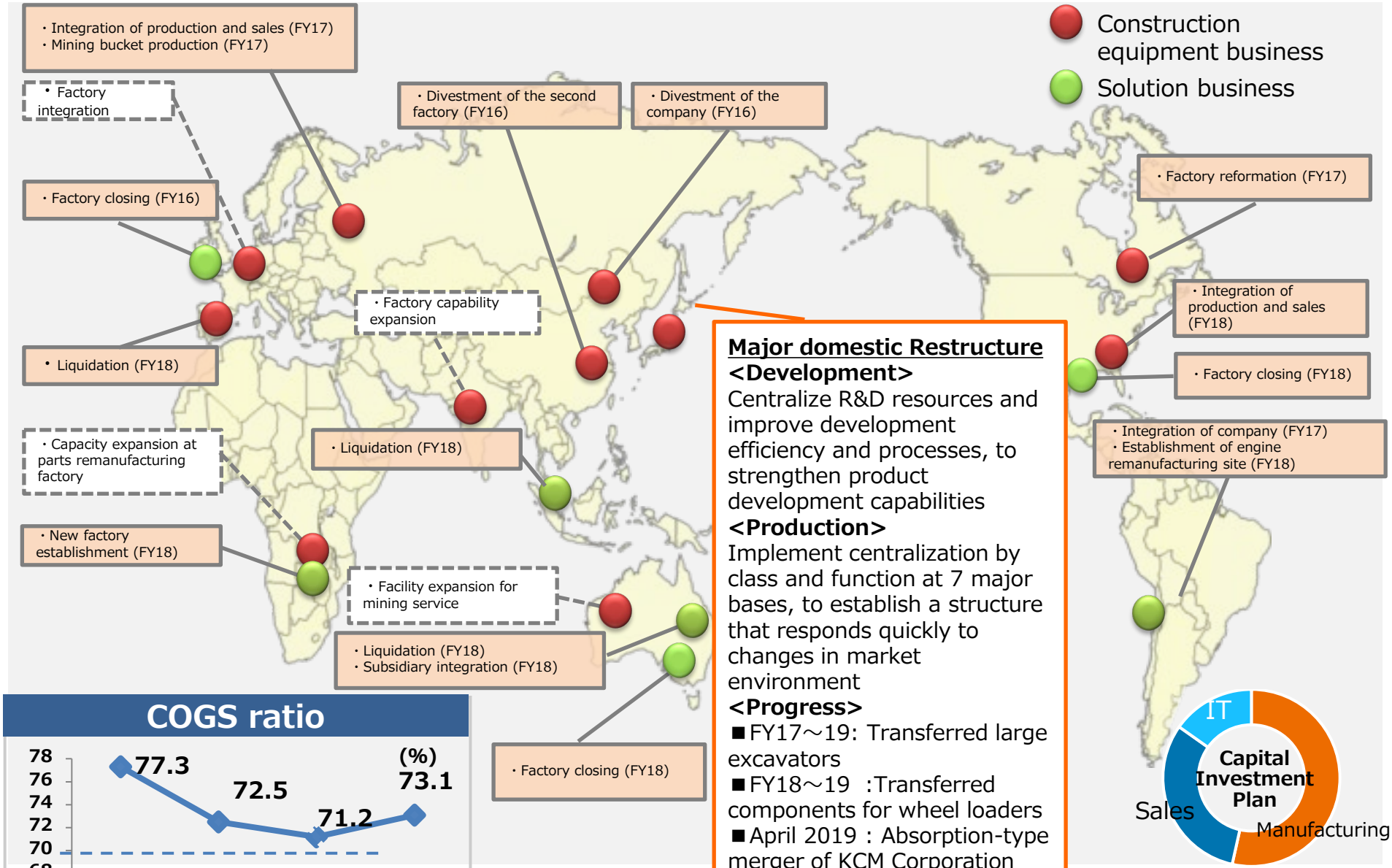


Major domestic Restructure

<Development>

Centralize R&D resources and improve development efficiency and processes, to strengthen product development capabilities

<Production>

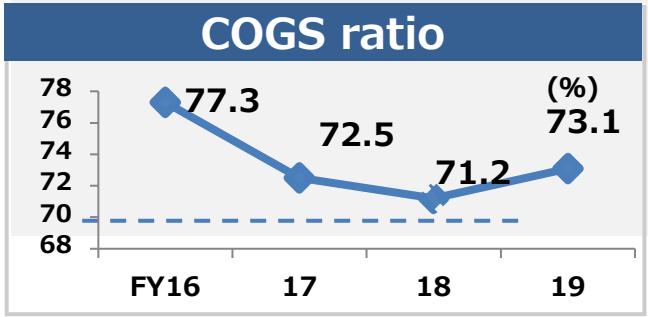
Implement centralization by class and function at 7 major bases, to establish a structure that responds quickly to changes in market environment

<Progress>

■FY17～19: Transferred large excavators

■FY18～19 :Transferred components for wheel loaders

■April 2019 : Absorption-type merger of KCM Corporation



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Growth Potential of HCM

Concentrating on the continuous structural reform to secure sales and profit

- ＋ : Consolidation of joint venture business in India, Acquisition of Wenco®, Bradken, and H-E Parts, etc.
- － : Withdrawal from engine manufacturing, temporal withdrawal of small-sized dump truck, non-consolidation of crane business, etc.

Increase in sales and profit of parts & service utilizing ConSite®

- Increase in timely proposals to customers based on high accuracy machinery information
- Effect of customer-based service via direct sales and service

Efficient R&D through synergy with Hitachi group

- Development of AC dump truck and AHS in short-time because of accumulated technology from performance in other sectors
- Expectation for further improvement via accumulated machinery information with AI analysis on Global e-service®

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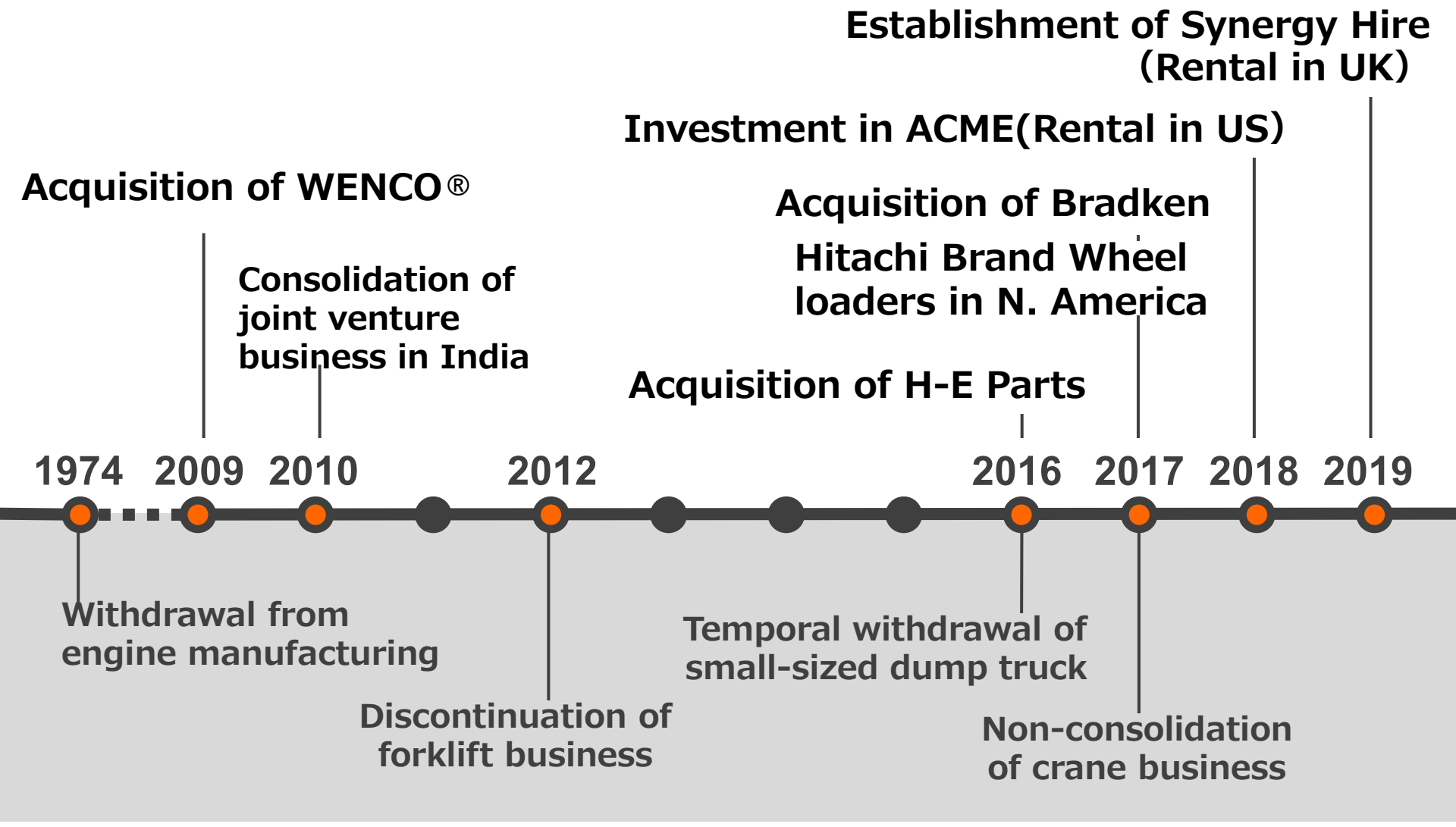
Growth Potential of HCM-1

Concentrating on the continuous structural reform to secure sales/profit



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Growth Potential of HCM-2

Enhancement in proposals and increase in sales and profit of parts & service utilizing Big Data Analysis

Global e-Service®

Big Data Analysis

AI + ConSite® Consolidated Solution for Construction Sites

LUMADA

Accumulated know-how
- Service know-how
- Failure diagnostics
- Technological knowledge

Sign diagnostic

Information of machines and sensors ConSite® OIL※1

Number of units in operation Approx.330,000

Periodical report
Urgent report

Customer

ConSite® Pocket※2

Enhancement in proposals

ConSite® Shot※3

ConSite® Health Check※4

Sales dealers / service representatives

Recommendation of parts that often need to be replaced at the same time

Maintenance/ Service Information

Inspection/ maintenance Manual

ConSite®Parts Web Shop

Order availability; anytime, anywhere

HCM's Parts Warehouse

※1 : OIL sensing service for hydraulic oil or engine oil (when sensors attached)
※2 : App for customers and sales dealers to receive reports
※3 : Tools for service reps to inspect & propose for sites
※4 : App for automated health check of equipment due to engine operation sound and measurement of hydraulic pump pressure
※5 : Order system for HCM's genuine parts over the Internet at any time and from any location. It enables to check stocks, price, delivery time and recommended parts that often need to be replaced at the same time.
※ : Areas for direct sales/service; Japan, Oceania/Asia, S.Africa, Netherlands, UK and USA(WL)

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9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Fully automated system for remote fault prediction

KPI: Remote prognostic detection rate by sensing

The failure prognostic detection rate shows the percentage of faults that were remotely detected or predicted

Steps to the target

Development of global business → Data application → Differentiation by ConSite-enabled machines

World's first all-purpose hydraulic excavator with communication terminal loading machines (June 2000)

2000 Communication start

2013 **Phase 1.0** **Utilization of existing data**

2015 **Phase 1.5** **Big data analysis**

2017 **Phase 2.0** **ConSite-enabled machines**

2020~ **Phase 3.0**

Target 90%

Failure prognostic detection rate

FY15	FY17	FY18	FY19
20%	37%	58%	71%

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Service Solution - ConSite

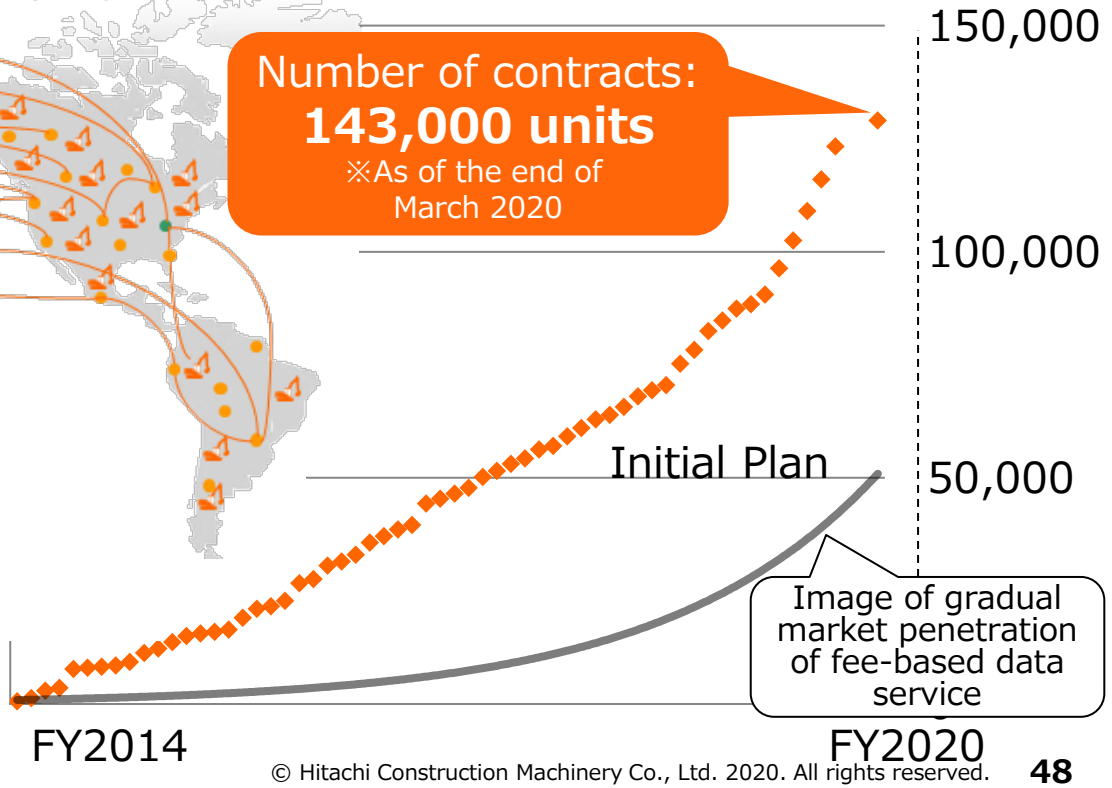
Number of contracts has increased dramatically to over 143,000 units at the end of March,2020 after initiating a global business development plan in 2014.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

ConSite®
Consolidated Solution for Construction Sites

- Information infrastructure linking customers all over the world 24 hours a day, 365 days a year
- Provide high quality maintenance & repair services earlier than before
- Failure prognostic detection rate 90% in and after FY2020

113 countries & regions
and 33 languages are covered.



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Growth Potential of HCM-3

Efficient R&D through synergy with Hitachi group

Hitachi Group Technology

Transportation

Automobile

Energy

Big data

AI

LUMADA

Development to HCM's Product and Service

Solution Linkage®

ConSite®, AHS,
Wenco®, ICT equipment

Improvement in energy productivity at factory※1

※1 : Utilizing Hitachi's technology Emilia®; Integrated management of energy data and facility

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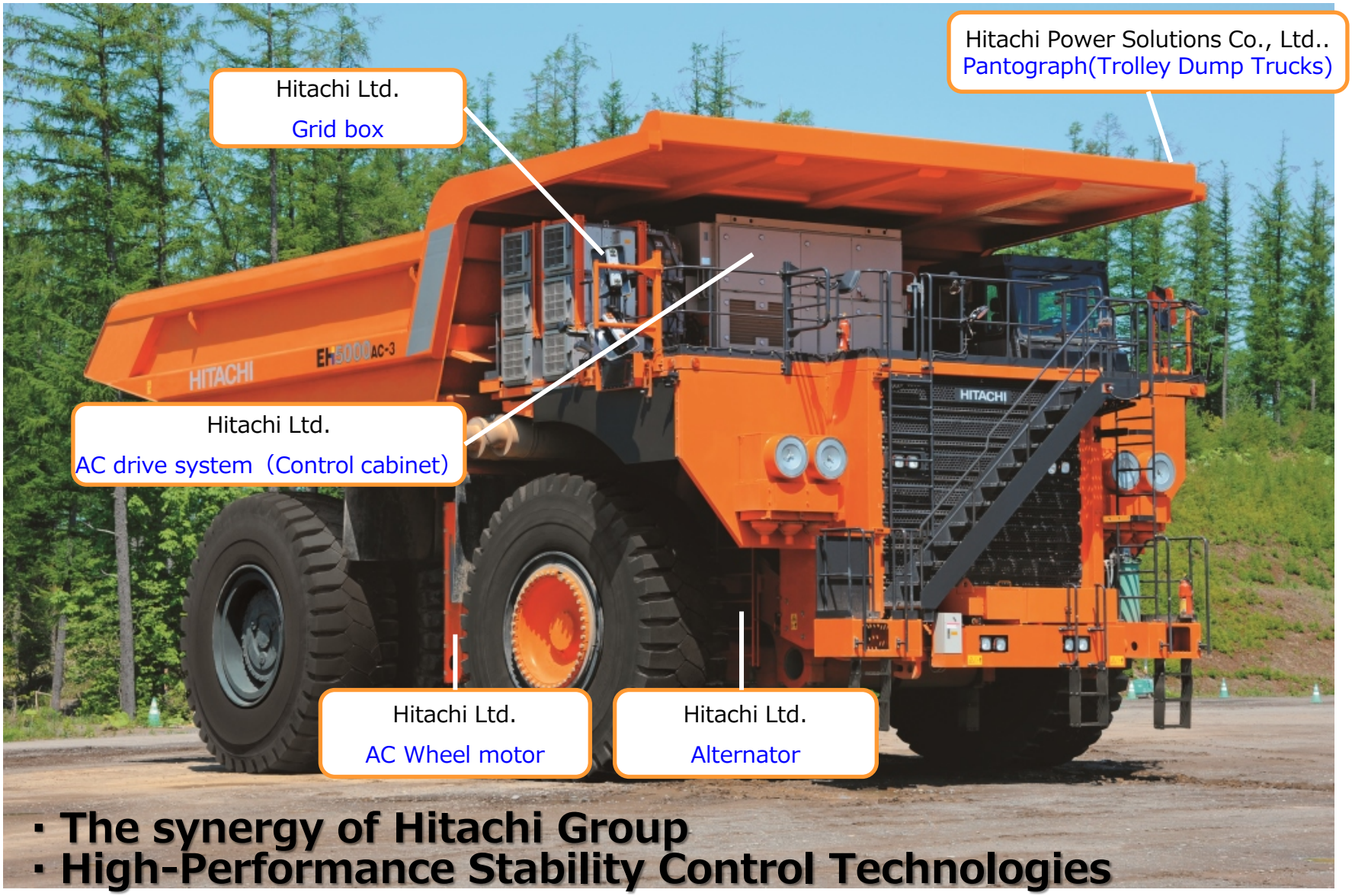
Dump Truck - The synergy of Hitachi Group



- The synergy of Hitachi Group
- High-Performance Stability Control Technologies

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【AHS】Autonomous Haulage System (AHS) for dump trucks

Scalability

Hitachi's railway traffic management system keeps data traffic per unit under control and can handle about a hundred of fleets.

Flexibility

Dump trucks equipped with Hitachi's automobile electric control technology and AC motor control technology can be converted into AHS model after delivery.

Agility

Realized fast system improvement to meet customers' project needs due to simulation technology etc..

Current status and further developments

FY2017: Implementation of commercialization test
FY2018: User test with Whitehaven Coal in Australia
FY2020: Commercialization (planned)

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Topic: Verification Tests to Start Directed at the Development of Autonomous Ultra-Large Hydraulic Excavators

- Verification tests start at an Australian mine from FY 2021
- Utilizing the knowledge from many years of research and development in the remotely control technology to cater to the needs of customers
- Effective use of customer-owned equipment to retrofit onto the EX-7 series

Ultra-large hydraulic excavator, EX3600-7(right), that will be used in the verification tests.

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Used Equipment

Expansion of sales of used equipment from Japan (auction business)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

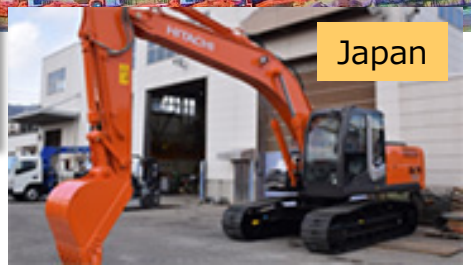
- ☐Hosting auctions of 3500 units per year
- ☐Sales of good-conditioned used equipment, which made possible through the distinctive service as a manufacturer

Auction venue of HCM Japan

Expansion of sales of certified used equipment

Hitachi Construction Machinery
PREMIUM USED

- ☐Sales of well-maintained, high-value added used equipment in Japan, China, and Europe, etc.



Japan

China

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Acquisition of Two Solution Business Companies

Aiming to deepen the value chain of the mining business

Bradken

- ✓ 1922: Company established
- ✓ March 2017: Restructured as subsidiary of HCM
- ✓ Expanded to Australia, USA, Africa, Europe, Asia, China, and other areas
- ✓ **Main strength: Technical capabilities in molding and casting**

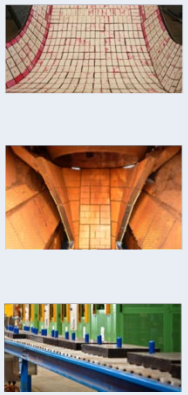
H-E Parts

- ✓ 2006: Company established
- ✓ December 2016: Restructured as subsidiary of HCM
- ✓ Expanded to Australia, USA, Chile, Canada, and other areas
- ✓ **Main strength: Comprehensive after-market solutions**

GET* , etc.

Liners for crushers and mills, etc.

Castings for fixed plant mining equipment, etc.



Specialty castings, etc.

Comprehensive solutions for mobile mining equipment

Services & parts for crushing equipment as well as on-site and off-site services & repairs

Comprehensive, high-horsepower diesel engine remanufacturing solutions (including rebuilding)

Comprehensive undercarriage parts and GET for mobile construction equipment

*Ground Engaging Tools

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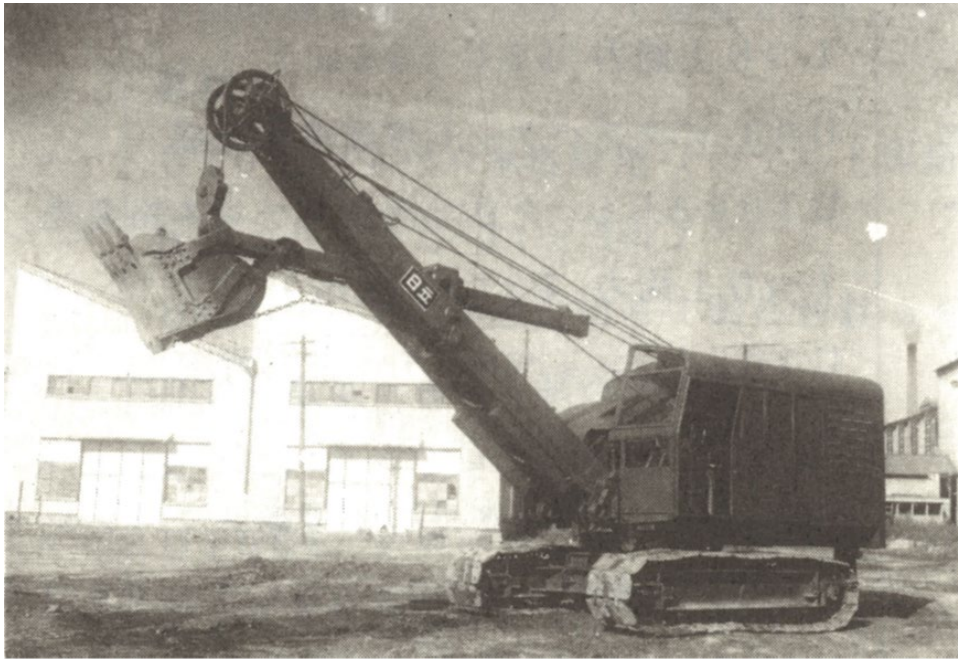
《Topic》70th anniversary of full-scale production of construction equipment

In 2020, we will mark the 70th anniversary*1 of the start of full-scale manufacturing of construction equipment.

In appreciation of our customers and other stakeholders, we will continue to take on the challenge of achieving further growth.



U06 mechanical excavators developed using pure domestic technology

*1: With the start of full-scale production in 1950 as the driving force behind Japan's post-war national land reconstruction

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《Supplementary Information》

We have chosen to align our activities with 10 of the 17 SDG's.

Topics in this explanatory material are shown together with their corresponding SDG icon.

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Cautionary Statement

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

END

For further inquiries:

Corporate Brand & Communications Div.

Hitachi Construction Machinery Co., Ltd.